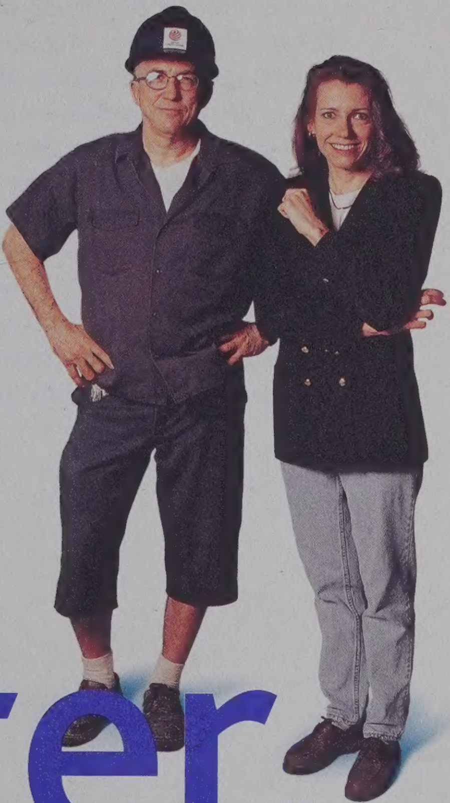
ANNUAL REPORT 2000

We're not just bigger...

ABITIBI
CONSOLIDATED

Mark W. Thomas	Mark Drew	Amy Grice	Mike A. Brautigamm	Elmers Woodfork Jr



We're better.

Our leadership in the forest products industry is more than just a matter of size. It's the result of the combined efforts and talents of the individuals who make up Abitibi-Consolidated, a group of dedicated people working together towards a common goal. We now have the industry's best and brightest teaming up throughout the organization, expanding the scope of our expertise and creating a powerful driving force to stay ahead of the pack in the years to come.

Gilbert Déziel	Amy Schwarzbach

2000 | ACCOMPLISHMENTS

• **The $7.1 billion acquisition of Donohue Inc. and the ongoing integration process** • The resulting run rate of $168 million at the end of the year in cost saving synergies • The sale of the Chandler, Québec mill and the signing of a letter of intent in early 2001 to sell our Wayagamack mill in Trois-Rivières, Québec • The closure of high-cost, excess newsprint capacity, including our entire 130,000 tonne West Tacoma, Washington newsprint mill and a 110,000 tonne machine at Lufkin, Texas • We also closed several value-added machines – one at Wayagamack (50,000 tonnes), one at the Kénogami mill in Jonquière (45,000 tonnes) and one at Lufkin (70,000 tonnes) • These closures allow for 70,000 tonnes of value-added production to replace newsprint at our Kenora, Ontario mill • At the end of 2000, forest management systems covering nearly 10 million hectares of woodland under our care had been certified ISO 14001 • We paid down $400 million of debt since the Donohue acquisition • We launched our new Equal Offset™ brand, offering a true value-proposition for our customers printing inserts, flyers, specialized directories or books • We've taken another step towards preferred customer service, implementing a customer service web site where the status of any pending orders can be checked via the Internet.

2000

2001

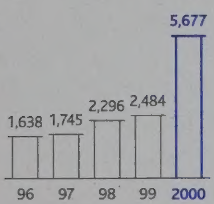
2001 | PRIORITIES

• **To improve earnings and cash flows in order to lower our overall debt by an additional $800 million in 2001** • **To complete the remainder of the 400,000 tonnes of high-cost newsprint capacity rationalization, announced at the time of the Donohue acquisition, by the end of 2001** • **To reach an annualized synergy run rate of at least $250 million in cost savings before 2002** • To limit our capital expenditures to 50% of depreciation, or approximately $300 million, excluding $100 million for completion of the Lufkin, Texas SCB machine project • Softwood Lumber – Return to profitability in the US through free market access • To complete the sale of the Wayagamack and Port-Alfred mills in the best interest of both the Company and the communities • To complete the process of re-branding our various grades of value-added groundwood papers, with an eye on positioning our products to reflect customer needs • To continue advancing with our e-business plans, implementing the next phase of supply chain efficiencies.

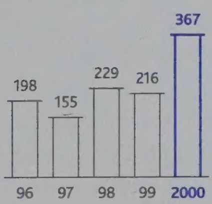
Year ended December 31st	2000	1999	1998
FINANCIAL SUMMARY			
(in millions of Canadian dollars, except per share amount)			
Net sales	**$5,677**	$2,484	$2,296
Operating profit	**1,004**	372	484
Net earnings	**367**	216	229
Cash flows from operating activities	**1,192**	375	426
Addition to capital assets	**528**	290	119
PER COMMON SHARE			
Earnings and fully diluted earnings	**0.96**	0.86	0.93
Cash flows from operating activities	**3.11**	1.51	1.72
Dividend declared	**0.36**	0.24	0.22
Book value	**7.03**	5.99	5.57
FINANCIAL RATIOS			
Return on shareholders' equity	**16.0%**	14.7%	18.0%
Net debt to total capitalization	**0.63**	0.46	0.46
Operating profit to net sales	**17.7%**	15.0%	21.1%
SHARES OUTSTANDING (in millions)			
At year end	**440**	250	249
Weighted average	**384**	249	248
SHIPMENTS			
Newsprint(1)	**4,667**	2,275	1,848
Value-added paper and market pulp(1)	**1,739**	614	571
Lumber(2)	**1,828**	1,476	1,325

(1) in thousands of tonnes
(2) in millions of board feet

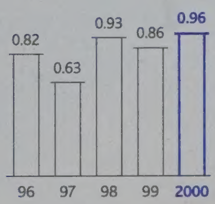
Net sales



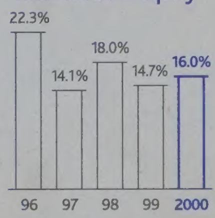
Net earnings



Earnings per share



Return on shareholders' equity



All financial data prior to April 18th, 2000 represent the results of Donohue Inc. only and results of operations and assets of Abitibi-Consolidated Inc. are included in the financial statements only from that date.

Better a

A Milestone Year

The Year 2000 was one in which Abitibi-Consolidated hit its targets, gained financial strength and positioned itself as a global market leader. We are now among the lowest cost producers of newsprint and uncoated groundwood papers and, as such, a prime beneficiary of solid market fundamentals.

It was the year in which our size and scope were dramatically reshaped through the acquisition of Donohue. Maximizing the value of such a major transaction depends in large part on the strength of the assembled team, so decisions were immediately made to integrate new people into all levels of the Company, most importantly into senior positions. Our core value of 'continuous improvement' was challenged through the constant evaluation of people, policies, practices and production facilities. The exercise resulted in a cross-pollination which today offers proof that the whole is, indeed, much stronger than its parts.

We also established aggressive annual synergy targets totaling $250 million over a two-year period. At an annualized run rate of $168 million in the fourth quarter of 2000, we were well ahead of schedule and, as I write this letter, we're more confident than ever of reaching our target before year-end.

John W. Weaver
President and Chief Executive Officer

Timothy W. Donatto | Robert Boyd | Ginger Wright

1	Scott Ferguson

2	Chuck Wilson	Mike Alpha	Eddie Clifton

3	Denis Pepin	Diane Maheux

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All together, in 2000 and the first quarter of 2001, we removed more than half of our previously stated, 400,000 tonne goal from the market by closing a machine at Lufkin, Texas as well as our entire West Tacoma, Washington newsprint mill. Several value-added machines were also shut down in 2000 at Kénogami, Wayagamack and Lufkin.

> It was a year in which management's resolve to stay focused was tested on a number of levels. But we continued to forge ahead with cost reductions, rationalization of high-cost capacity and the capture of synergy savings. At the end of the day, we weren't distracted and our efforts paid off.

The balance of our rationalization commitment will be completed in 2001 without impacting our customers. This, plus cost savings and other efficiency initiatives at the operational level, allowed us to extract additional efficiencies out of a new and rationalized portfolio of assets. All this, despite escalating energy prices which impacted our costs by $9 per tonne compared to 1999.

It was a year in which all our short-term priorities were met or exceeded: I've already mentioned our synergy achievements; our debt load was reduced by $400 million since the acquisition; forest management systems covering nearly 10 million hectares of woodland under our care were certified ISO 14001; we launched Equal Offset™, a new offset substitute offering a true value proposition to the commercial printer; we sold the Chandler mill and signed a letter of intent to sell the Wayagamack mill as well; and we established an e-business platform, beginning with an online tracking system for customers.

It was a year in which management's efforts to reshape the Company were seen and felt by all stakeholders. With a doubling of sales and assets and an operating profit that exceeded a billion dollars, we posted net earnings of $367 million or 96 cents per share.

Dan Perkins	Jacques Vachon
Senior Vice-President and Chief Financial Officer	Senior Vice-President, Corporate Affairs and Secretary

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2001 and beyond

This year begins with cautious optimism. We expect to benefit from lower but still positive growth in the US and realize the full impact of price increases on all of our paper grades implemented in 2000. The projected market figures remain strong and we expect a firm environment for both newsprint and value-added paper products. Going forward, we will build upon our successes and continue improving your earnings and cash flows to solidify our leadership position.

We don't expect significant recovery in our lumber markets during 2001, but the recent lowering of interest rates in the US is a positive sign. We will continue to monitor and address supply imbalances.

Once again, we have set some aggressive targets for 2001, with specific focus placed on three priorities:

1- We are committed to improving the Company's financial position, further lowering our debt by $800 million in 2001.

2- By staying focused on manufacturing costs, SG&A and distribution expenses, we intend to capture the balance of the remaining synergies from the Donohue acquisition and make good on our $250 million commitment before the end of the year.

3- We will rationalize the balance of the 400,000 tonnes of high-cost, newsprint capacity before 2002.

Dave Schirmer	Paul Planet	Colin Keeler
Senior Vice-President, Value-Added Paper Sales	Senior Vice-President, International Sales	Senior Vice-President, North American Sales

Better

A new priority arose on February 13th, 2001, the day we reached a settlement with the Canadian Competition Bureau with respect to the Donohue transaction. At the heart of the agreement is the eventual sale of our Port-Alfred newsprint mill, located in Ville de La Baie, Québec. Though we didn't want or expect it, the sale will provide us with proceeds to pursue various alternatives, including acquisitions and further debt reduction.

In this era of increased expectations, Abitibi-Consolidated has, and will continue to raise the bar. We understand that being preferred in the eyes of our customers, our shareholders, our employees and their communities is completely dependent upon the efforts and contributions of all 18,000 men and women who make up our worldwide team.

The people you will meet in this report are leading the way in pulp, paper and lumber manufacturing thanks to a broad network of knowledge and resources that will redefine how forest products are used.

2000 was a milestone year for a new Abitibi-Consolidated. We have learned to grow stronger from both the cultural differences as well as the similarities presented by the integration of Donohue. We are making decisions faster and exchanging ideas faster, all with greater flexibility and for the benefit of all our stakeholders.

WE'RE NOT JUST BIGGER... WE'RE BETTER.

John W.Weaver

John W.Weaver
President and Chief Executive Officer
February 20th, 2001

Denis Jean	Alain Grandmont
Senior Vice-President, Northern Newsprint Operations	Senior Vice-President, Value-Added Paper Operations

Mike Vyoral Larry Martinez

Synergy

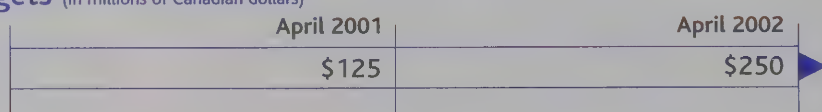
We have set a synergy cost savings objective of $250 million to be achieved over the two-year period following the acquisition of Donohue.

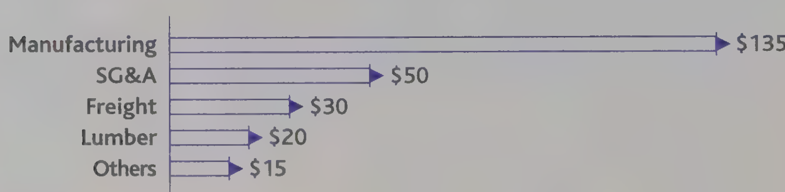
The synergies do not include improvements due to geographic and/or product mix.

The way we track our synergies is by comparing actual costs in a given quarter to those of the reference period (generally the first quarter of 2000 – the last full quarter immediately preceding the acquisition of Donohue).

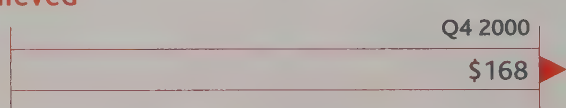
The following activities are tracked as part of our synergy program:
- **Manufacturing** (newsprint, value-added papers, market pulp)
- **Selling, general and administrative expenses (SG&A)**
- **Freight**
- **Lumber**
- **Fibre supply** (woodland operations, recycled fibre procurement)

Targets (in millions of Canadian dollars)

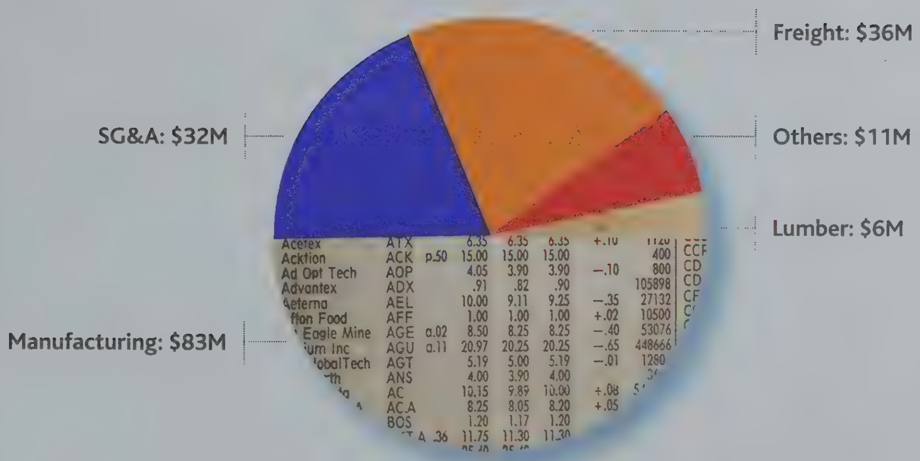




Achieved



cost savings program



Total annualized run rate through Q4 2000:
$168 Million

All calculations are made against Q1 2000 costs except for SG&A synergies which are measured against the 1999 quarterly average.

Impact of fibre and energy cost increases since Q1 2000

$203 Million

Better

Our key environmental activities in 2000 were centred around rolling out the environmental, health and safety policy to a newly expanded network and updating our Environmental Management System (EMS) to include best practices from both former companies. All divisions will have the updated EMS implemented by the end of 2002.

Thor Thorsteinson	Louis-Marie Bouchard
Senior Vice-President, Southern Newsprint Operations	Senior Vice-President, Woodlands and Sawmills

Abitibi-Consolidated's EMS is based on the international certification standard ISO 14001. This has led many divisions to seek certification of their EMS. In 2000, Saint-Félicien and Kénogami, for instance, became the Company's fourth and fifth mills to achieve ISO 14001 certification. Several of the remaining paper mills and sawmills have started the process of certification. Our subsidiary, Manicouagan Power Company has also certified its operations to the ISO standard using the Canadian Electricity Association criteria.

We're Canada's Forest Certification Leader

- 9.6 million hectares – The largest forested area with a registered ISO 14001 system in Canada.
- Canadian sustainable forest management criteria is part of our ISO 14001 Forest Management systems.

Our goal for 2002 is to have 16.6 million hectares, or our total managed landbase in Canada, associated with certified management systems.

Local ISO coordinators work together as an expanded team, learning from one another, and sharing information. Each eventually adapts and improves the previously registered system.

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John Dubé Carol Quessy Michel Bélisle

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Not reinventing the wheel each time allows us to keep implementation costs to a minimum.

All the elements are in place to ensure our 2002 objective will be met, placing us among world leaders in forest management system certification. At the same time, our efforts are also focused on the challenge of achieving "mutual recognition" of our certification efforts across the global forest environment and among the many similar third party registration schemes.

Continuous Improvement

Environmental incidents are one of five Closely Watched Numbers ("CWN") that we use to monitor our performance and for which all employees are accountable. Yearly targets have historically been set at least 10% lower than the previous year's results, reflecting our commitment to create value through continuous improvement. In 2000, our actual accomplishment was 24% better than our target and reflects the continuing downward trend in the number of environmental incidents seen year over year since we began tracking them. This CWN has been instrumental in helping us successfully reduce incidents, but since many divisions are now near, or at zero, the current indicator is nearing the end of its usefulness as a tool for continuous improvement. We have reached a point where we must expand the scope of our performance monitoring and take into account key criteria that reflect other areas for improvement. This includes such things as energy efficiency, material use efficiency and waste minimization. An expanded environmental indicator will help us achieve financial savings while focusing on improving our environmental performance. This year we will work at redefining the environment CWN for implementation in 2002.

In 2000, we earned a Leadership Award from Canada's Climate Change Voluntary Challenge & Registry Inc. (VCR) in recognition of our dedicated efforts towards the reduction of GHG emissions in Canada.

Bruno Tremblay	Pierre G. Côté
Senior Vice-President, Technology Services	Senior Vice-President, International Newsprint Operations and Energy

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1	Serge Gagnon	Dave Chamberlain	Michèle Anctil	Herman Martel
2	Tim Dryden	Curtis Porter		
3	Daniel Gariépy	Denise Lavigne	Richard Théberge	

An Environmental Project With Payback

Dating back to 1997, a $9 million odour reduction project was initiated at our Fort Frances, Ontario mill. The primary goal was to reduce the level of ambient odour and the number of complaints within the community by 50%. This state-of-the-art project included the installation of an incinerator and a scrubber dedicated to destroying total reduced sulphur ("TRS", or what commonly causes the majority of the odours associated with kraft pulp mills) compounds before they are released into the atmosphere. Today, after a full year of incinerator operation, we can proudly point to some exciting accomplishments:

- Ambient odour excursions were reduced by over 80%.
- The number of odour-related complaints was reduced by over 82%.
- Process improvements have resulted in annual savings of over $500,000.

Another major goal of the project was to increase the community's awareness of Fort Frances' commitment to improving local air quality. A communication plan was developed and 115 key stakeholders within the community were interviewed to learn more about individual concerns related to ambient odour. The results showed the health impact of the odours to be the most pressing concern. In response, an in-depth literature review of the health risks of TRS compounds was compiled and made available as part of our message to the local community. Several other communication vehicles were developed and implemented to promote the mill's commitment to addressing community concerns. The effort was well-received and is now being used for other environmental initiatives across our Company.

People Working Together!

The Beaupré mill's Equal Offset™ project highlights the importance of people working together to achieve a common goal. The $50 million project included a "coating kitchen" of some 15 chemicals that are combined in various ratios before the mixture is applied to the paper. Environmental personnel were key members of this team and worked hard to ensure that the new chemistry would not affect the smooth operation of the secondary treatment plant. A variety

Joy Zoghby	T. W. Johnson

1 Donald Walton | Claudia Carmona

2 Dawn Edwards

3 Normand G. Adams

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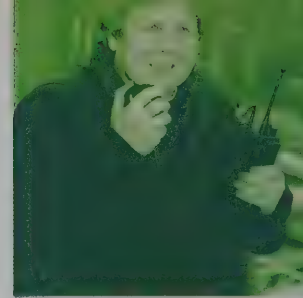

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of analyses were performed to assess the impact of these chemicals on the biology of the secondary treatment plant. The results helped determine what additional precautions (such as alarms and/or secondary containment) would be required. Throughout the start-up and commissioning of the new equipment, close communication and monitoring allowed the mill to continue operating uninterrupted and without any compliance issues related to its effluent treatment system.

Monitoring our Effects

In 2000, we completed the second cycle of studies required by the federal Environmental Effects Monitoring program (EEM) at all of our Canadian mills. The goal of these ongoing studies is to measure the effectiveness of the 1992 Federal regulations on the receiving waters. Between 1993 and 1996, we invested over $400 million in secondary effluent treatment systems in order to meet the new requirements. As a result of these treatment systems, the overall quality of the receiving water significantly improved. The second cycle of studies, conducted at each mill every four years, shows that all effluents are now non-toxic. In all cases, the studies show that these reductions have resulted in an improvement of aquatic life. We expect the third cycle of studies, slated to begin this year, will show further improvement.

The Three "R"s

Reduce, reuse, and recycle – these terms are familiar to all of us interested in minimizing our impact on the environment. All three "R"s are the focus of programs at Abitibi-Consolidated but by far the largest is our paper recycling program. In fact, at about 2.4 million tonnes annually, we are the single largest buyer in the North American recycle fibre industry – twice that of the next largest.

Although people usually think of recycled fibre in terms of old newspapers (known as ONP), it does not stop there. There are also old magazines (OMG) and recycled cardboard (OCC). Recovery rates in the highly competitive North American market are flattening and expected to peak by 2005. As well, the availability of recycled fibre is not static over the course of a year. Readership of newspapers and magazines, particularly in the sunbelt states of

Lewis W. Natchett | Otis D. Evans

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the US, is highest through the winter months and falls off in the summer. This means that we must manage our inventory in order to have a constant and assured supply of recycled fibre for our mills. To do this, we have eight recovery centres in North America located in densely populated areas. We also have affiliated recycled fibre operations with our mills in the United Kingdom and Asia.

We consume 23% of the ONP recycled fibre generated in North America. Nine of our North American mills supply newsprint with recycled fibre content, in some cases up to 100%. Our Pan Asia Paper partnership uses 1.5 million tonnes of recycled fibre per year, half of which is sourced in North America. The growing international trade in recycled fibre gives Abitibi-Consolidated a unique opportunity to link our North American operations with our Asian ones. Our recycling subsidiary in Cheshire, England has entered into supplying arrangements with local suppliers. Combined, this gives us a three continent sourcing effort.

Reduce and Reuse

We've always been conscious of reducing the pressures we place on the environment. Generated by effluent treatment operations, our pulp and paper mills in Québec reused more than 300,000 wet tonnes of biosolids for agricultural applications in 2000. These nutrient-rich biosolids considerably improve the soils that they are applied to and the eventual yield of products grown in them. Our biosolid reuse program is carried out under the close scrutiny of professional agronomists and with the approval of the Provincial Ministry of the Environment. The quality criteria that these must meet in order to be applied to agricultural land are among the most stringent in the world. Another great example of our three "R" efforts!

Operations in Thorold, Ontario and Bridgewater, United Kingdom also reuse 100% of their biosolids in various land applications. In 2000, these divisions reused more than 300,000 wet tonnes of biosolids!

> Not only does Bridgewater reuse 100% of its biosolids, but it also produces 100% recycled paper!

Focusing on the three "R"s makes sense for our business and for your environment.

Carolyn Edwards	Michael Sayko

Paper Machine Manufacturing

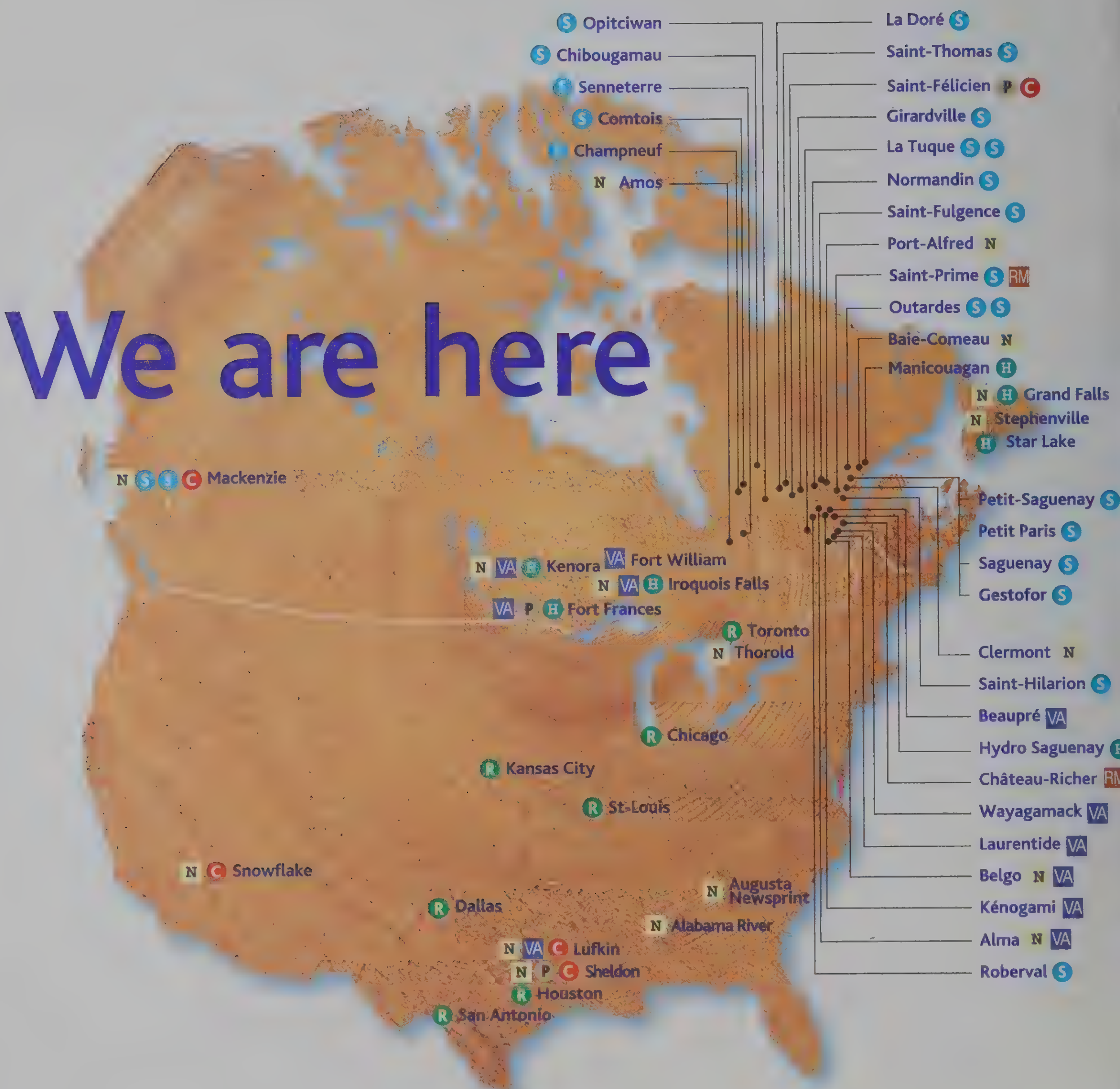
Year ended December 31st, 2000
(Capacity in thousands of tonnes)

	# Paper Machines	Newsprint	SC Papers	Directory Paper
Canada				
Alma (QUÉBEC)	3	165		125
Amos (QUÉBEC)	1	200		
Baie-Comeau (QUÉBEC)	4	561		
Beaupré (QUÉBEC)	2			
Belgo (QUÉBEC)	4	305		
Clermont (QUÉBEC)	2	351		
Fort Frances (ONTARIO)	3		70	
Fort William (ONTARIO)	1			
Grand Falls (NEWFOUNDLAND)	2	214		
Iroquois Falls (ONTARIO)	2	234		
Kénogami (QUÉBEC)	2		181	
Kenora (ONTARIO)	3	275		
Laurentide (QUÉBEC)	2		331	
Mackenzie (BRITISH COLUMBIA)	1	185		
Port-Alfred (QUÉBEC)	4	352		
Stephenville (NEWFOUNDLAND)	1	187		
Saint-Félicien (QUÉBEC)				
Thorold (ONTARIO)	2	405		
Wayagamack (QUÉBEC)	3		63	99
		3,434	645	224
United States				
Alabama River (ALABAMA)[1]	1	133		
Augusta (GEORGIA)[1]	2	222		
Lufkin (TEXAS)	3	204		
Sheldon (TEXAS)	3	461		
Snowflake (ARIZONA)	2	326		
		1,346	–	–
International				
Bridgewater (UNITED KINGDOM)	3	292		
Pan Asia (SOUTH KOREA, CHINA, THAILAND)[1]	4	410		57
		702	–	57
		5,482	645	281

(1) Capacity figures shown reflect our proportionate share ownership.

	Alternative & Equal Offset™ & Hi-Brite	Specialty, Bulky News and Other	Market Pulp	Total Value-Added Papers & Pulp	Total Mill Capacity
				125	290
					200
					561
	203			203	203
		71		71	376
					351
	206		99	375	375
	141	12		153	153
					214
		54		54	288
				181	181
	51	9		60	335
				331	331
		4		4	189
		41		41	393
					187
			351	351	351
					405
	23			185	185
	624	191	450	2,134	5,568
					133
					222
	132	8		140	344
					461
					326
	132	8	–	140	1,486
					292
				57	467
	–	–	–	57	759
	756	199	450	2,331	7,813

We are here



N Newsprint	VA Value-Added Papers	S Sawmill	RM Remanufacturing Mill
H Hydroelectric Power	R Recycling Centre	P Market Pulp	C Cogeneration

and here.

*Owned by Pan Asia Paper Company, in which Abitibi-Consolidated has a one-third ownership interest.

SAWMILLS	# Sawmills	% Ownership	Share of Production Capacity (MBf)
Québec			
Abitibi Region	3	100%	328
Lac-Saint-Jean Region	6	100%	690
	1	50%	40
	1	45%	14
Mauricie Region	1	100%	123
	1	82%	60
	1	20%	9
North-Shore Region	2	100%	327
Saguenay-Charlevoix Region	3	100%	195
	1	50%	22
British Columbia			
Mackenzie Region	2	100%	342
Total – Sawmills	**22**		**2,150**

REMANUFACTURING MILLS			
Lac-Saint-Jean Region	1	100%	52
Saguenay-Charlevoix Region	1	100%	61
Total – Remanufacturing	**2**		**113**

DEFINITION OF TERMS. [illegible]

OVERVIEW AND HIGHLIGHTS OF 2000

All financial data prior to April 18th, 2000 represent the results of Donohue Inc. only and results of operations and assets of Abitibi-Consolidated Inc. are included in the financial statements only from that date.

$367 million net earnings

In 2000, Abitibi-Consolidated Inc. realized net earnings of $367 million on net sales of $5.7 billion compared to net earnings of $216 million in 1999 on net sales of $2.5 billion.

Earnings per share amounted to $0.96 in 2000 based on an average number of shares outstanding of 384 million. Earnings per share were $0.86 in 1999 based on an average number of shares outstanding of 249 million.

The improvement to net earnings resulted mainly from price increases for newsprint, value-added papers and pulp in 2000 when compared to 1999. Lumber prices however were significantly lower than the previous year. The Company has reduced its costs through a synergy program put in place following the acquisition of Donohue Inc. However, these synergy cost reductions were more than offset by significant increases in fibre and energy costs, which represent a major portion of pulp and paper manufacturing costs.

Acquisition of Donohue Inc. and reverse takeover acquisition accounting

The major event of 2000 was the acquisition of approximately 95% of the outstanding shares of Donohue Inc. on April 18th, 2000 and of all the remaining shares in June 2000. This acquisition was paid for with cash of $12 and 1.846 shares of Abitibi-Consolidated Inc. for each Donohue Inc. share. Following the transaction, former Donohue shareholders held, as a group, more than 56% of all outstanding shares of Abitibi-Consolidated Inc. and accordingly, the transaction was accounted for using the purchase accounting method and constituted a reverse takeover where Donohue Inc. was considered the acquirer.

Price increases

The Company implemented two price increases each of US$50 per tonne for newsprint in 2000: one on April 1st and another on September 1st. Prices for certain grades of value-added groundwood papers also rose by similar amounts. Northern Bleached Softwood Kraft (NBSK) pulp prices increased by US$40 per tonne on April 1st, 2000 and by US$30 per tonne on July 1st, 2000.

Integration of Donohue and synergy achievements

Immediately following the acquisition of Donohue, the entire organization underwent an extensive review. A new senior management team was selected from the best of the former companies and put in place in May 2000.

The Company has set a target of $250 million in synergy cost savings to be achieved through the combination of the two companies. The annualized run rate attained during the fourth quarter of 2000 was $168 million in cost savings compared to the first quarter of 2000, which significantly exceeded management's original target of $125 million by April 2001.

High-cost newsprint capacity rationalization program

In conjunction with the acquisition of Donohue, the Company announced its intention to permanently remove 400,000 tonnes of high-cost newsprint capacity. As part of this program, the Company shut down its 130,000 tonne West Tacoma newsprint mill, located in Steilacoom, Washington, in December 2000.

One paper machine with an annual capacity of 70,000 tonnes was shut down at the Lufkin, Texas mill, on November 1st, 2000 as part of the modernization program of the mill. At the end of December 2000, the Company shut down a value-added paper machine with an annual capacity of 45,000 tonnes at the Kénogami, Québec mill. The value-added groundwood paper grades produced on these machines will replace newsprint production at other mills.

The Company ultimately intends to reduce its newsprint capacity by 110,000 tonnes at its Lufkin, Texas mill, after completing the installation of the new paper machine planned for launch in the second quarter of 2001, and the closure of three old paper machines.

Further announcements to complete the high-cost newsprint capacity rationalization program are currently planned for the first half of 2001.

Dividends

Dividends paid in 2000 of $1,726 million include the cash portion of the purchase price for the Donohue shares of $1,622 million. Dividends paid in 1999 were $59 million. Dividends of $15 million were paid to the former Donohue shareholders in the first quarter of 2000. The Board of Directors declared regular dividends of $0.10 per share, or $44 million, in each subsequent quarter.

Summary of Results from Operations

Net sales reached $5.7 billion in 2000 compared to $2.5 billion in 1999. Earnings before interest, taxes, depreciation and amortization (EBITDA) amounted to $1,515 million or 26.7% of net sales, compared to $596 million, or 24% of net sales, in 1999.

Operating profit:

(in millions of dollars)	2000	1999
Newsprint	$ 618	$ 200
Value-added groundwood papers and market pulp	384	77
Lumber	2	95
Total	$ 1,004	$ 372

Interest on long-term debt totalled $379 million in 2000 compared to $94 million in 1999. The increase arises mainly from the long-term debt assumed at the time of the acquisition of Donohue, the additional borrowing of $1.8 billion to pay the cash portion of the consideration for the Donohue shares and other costs associated with the acquisition.

Other financial expenses incurred during 2000 include the write-off of the deferred financing fees related to the repayment of the bridge loan used for the acquisition and of the former bank loan agreements. Those credit facilities were replaced by US$1.4 billion of long-term debt issued in the US and by bank credit facilities of $1.5 billion. Premiums were also paid for the early repayment of other long-term borrowings.

The Company sold its Chandler, Québec, newsprint mill in December 2000 and realized a gain of $29 million. As part of the sale, the purchaser agreed not to produce paper grades which compete with the Company's core grades.

Tax expenses during the year amounted to $191 million or 31.6% of earnings before taxes and goodwill amortization, compared to an effective rate of 19.5% in 1999. The effective tax rate in 1999 was lower due to the utilization of an unrecorded tax loss which materialized with the sale of the Company's interest in a joint venture and due to the recovery of a large corporation tax from previous years.

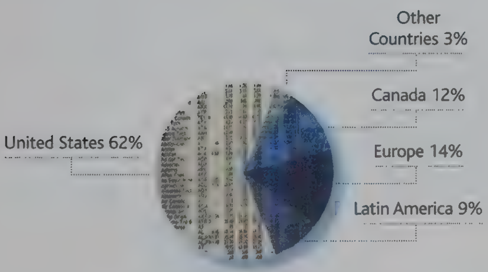
Newsprint

Net sales of newsprint rose to $3,438 million in 2000, compared to $1,479 million in 1999. Operating profit for the same periods was $618 million, or 18% of net sales, and $200 million, or 13.5% of net sales, respectively. The increase in net sales comes from additional sales volume due to the acquisition of Donohue, which on the application of the reverse takeover accounting method is considered as the acquisition by Donohue of Abitibi-Consolidated, and also from the increase in transaction prices.

The average mill net for newsprint rose to $735 per tonne in 2000, an increase of 13% over the previous year. The Company's shipments totalled 4,667,000 tonnes compared to 2,275,000 tonnes sold in 1999. Increase in volume resulted mainly from 2,276,000 tonnes shipped from the former Abitibi-Consolidated mills since April 18th, 2000.

Distribution of newsprint sales:

2000



1999

North American newsprint consumption rose by 1.2% during 2000 compared to 1999. The average North American operating rate was 97% compared to 94% in 1999. Demand for newsprint also increased globally, resulting in a reduction of imports into North America by 47%. (Source: Pulp & Paper Products Council)

This strong demand allowed for increases in the market price of US$50 per tonne in North America on both April 1st, 2000 and September 1st, 2000.

Prices in Europe for the 2000 contract year were almost flat when compared with 1999. Combined with weakening European currencies compared to the Canadian dollar, mill nets to Europe were lower than the other markets. Demand, on the other hand, grew at a record rate of nearly 5%.

Prices in other parts of the world, where consumption grew at a healthy rate, generally increased in line with North American prices.

Management currently expects demand in North America to remain stable in 2001 and international demand for newsprint to grow slightly. Moreover, North American production capacity is expected to decrease due to machine closures and conversions to higher value grades. The Company believes that scheduled capacity additions in other parts of the world are limited and should cause the market to remain well balanced in 2001.

The Company implemented a significant price increase in European markets for the 2001 contract year and has announced a price increase of US$50 per tonne in North America, effective March 1st, 2001.

The Company's newsprint manufacturing costs rose by 2.6% in 2000 compared to the combined average of Donohue and Abitibi-Consolidated manufacturing costs in 1999. Cost reductions from the Company's synergy program were more than offset by an increase in prices of fibre and energy.

Value-Added Groundwood Papers and Market Pulp

Net sales of value-added groundwood papers and market pulp rose to $1,601 million in 2000, compared to $413 million in 1999. Operating profit for the same periods was $384 million, or 24% of net sales, and $77 million, or 19% of net sales, respectively. The increase in net sales comes from additional sales volume due to the acquisition of Donohue, which on the application of the reverse takeover accounting method is considered as the acquisition by Donohue of Abitibi-Consolidated, and the increase in transaction prices.

The average mill net for value-added groundwood papers rose to $934 per tonne in 2000, an increase of 9% over the previous year. The Company's shipments of value-added papers totalled 1,331,000 tonnes, compared to 157,000 tonnes in 1999. Shipments from former Abitibi-Consolidated mills since April 18th, 2000 accounted for 1,166,000 tonnes and explain the major part of the variance.

The average mill net for market pulp rose by 38% to $879 per tonne in 2000. The volume of market pulp sales was 408,000 tonnes in 2000, down from 420,000 tonnes in 1999. The shutdown of the kraft pulp mill in Sheldon, Texas, in the first quarter of 2000 and the sale of the Donohue Matane Inc. (Québec) pulp mill in 1999 reduced the Company's production capacity, which was partially offset by the inclusion of the shipments from the Fort Frances, Ontario mill, from April 18th, 2001.

Shipments of valued-added groundwood papers (combined Donohue and Abitibi-Consolidated):

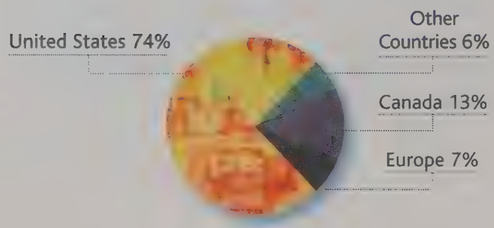
(in thousands of tonnes)	2000	1999
SC, Soft-Nip & MF paper	681	497
Alternative Offset™ & Hi-Brite paper	718	772
Directory & Catalogue paper	220	218
Specialty paper	191	152
Total	1,810	1,639

The Company's manufacturing costs for value-added groundwood papers rose by 1.6% per tonne in 2000 compared to the combined average of Donohue and Abitibi-Consolidated manufacturing costs in 1999. Achieved synergy cost savings and productivity gains account for the major portion of the cost reductions. On the other hand, higher costs of fibre and energy have caused a significant negative impact on overall costs.

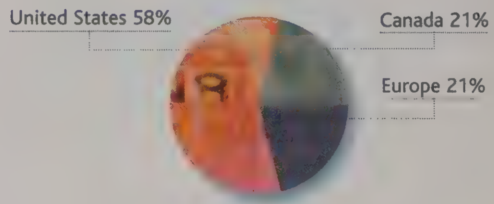
Supercalendered ("SC")

Demand for SC papers was strong in 2000, rising by 16% through December according to the Pulp and Paper Products Council ("PPPC"). Prices for SCA/SCB rose US$50 per tonne in April and held through the end of the year. Weakening demand for LWC and the addition of new production capacity prevented further price improvement. Prices for soft-nip

Distribution of value-added groundwood papers and market pulp sales:



2000



1999

calendered papers rose US$50 per tonne in April and by the same amount in August fuelled by strong demand and migration from other grades. Additional capacity increases in 2001, including the Company's 255,000 tonne per year SC machine in Lufkin, and a weaker retail market are expected to put some pressure on prices.

Alternative Offset™, Equal Offset™ and Mando™ Grades

Demand and sales volumes were very strong for Hi-Brite and Mando™ grades in 2000 and price increases were successfully implemented. Sales of Alternative Offset™ improved by 18,000 tonnes over the 1999 volumes sold by Abitibi-Consolidated. The Company completed the project at its Beaupré, Québec mill, in the first quarter of 2000, to produce the new Equal Offset™ paper grade. Demand and prices for this new grade were lower than forecasted due to a weakening of uncoated freesheet markets. The Company expects currently announced reductions in capacity of more than one million tonnes of uncoated freesheet to contribute favourably to this market during 2001.

Directory

Demand for directory grades was solid in 2000 and prices were stable. The Company expects the market for directory to remain strong in 2001.

Market pulp

The market for Northern Bleached Softwood Kraft (NBSK) pulp was very strong in the first half of the year, allowing for price increases. The market has since weakened significantly, particularly in the fourth quarter and inventories have increased. The market is expected to remain under pressure in the first half of 2001 and to recover in the second half of the year as no major change in production capacity is underway.

Change in capacity

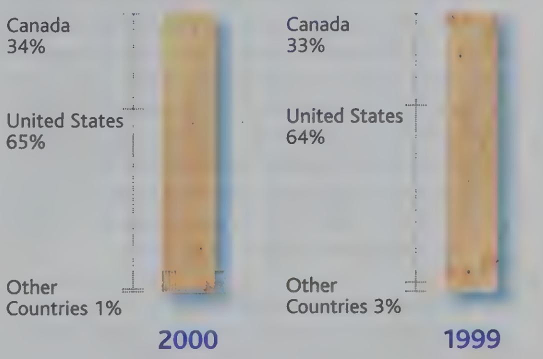
The Company shut down paper machine No. 1 at its Kénogami, Québec mill, at the end of 2000, which had an annual capacity of 45,000 tonnes, and moved most of the grades produced on that machine to replace newsprint produced in other mills. The Company also announced the shutdown of paper machine No. 1 at its Wayagamack mill in Québec, for March 2001. The Company signed a letter of agreement in January 2001 to sell its Wayagamack mill, with an annual production capacity of 185,000 tonnes. The closing of the transaction is planned for the beginning of the second quarter of 2001. Those changes are expected to result in improved margins on value-added paper grades.

Lumber

Net sales of lumber rose to $638 million in 2000, compared to $592 million in 1999. Operating income for the same period was $2 million and $95 million respectively. The increase in net sales comes from additional sales volume due to the acquisition of Donohue, which on the application of the reverse takeover accounting method is considered as the acquisition by Donohue of Abitibi-Consolidated, offset partially by lower selling prices.

The average mill net for lumber decreased to $349 per thousand board feet in 2000, a decrease of 13% over the previous year. The Company's shipments totalled 1,828 MBf, of which 316 MBf represent the former Abitibi-Consolidated sales volume since April 18th, 2000, compared to 1,476 MBf in 1999. The other portion of the increase in sales volumes comes from the acquisition of the remaining 50.1% interest not held by the Company in Finlay Forest Industries Inc. in British Columbia in August, 1999.

Distribution of lumber sales:



Lumber prices have declined since the end of the first quarter of 2000 due to increased production in both Canada and the US, combined with lower US housing starts. Demand in Canada continues to be strong as housing starts and spending on repairs and remodelling remain healthy. Overseas markets remained unfavourable, particularly in Japan which does not appear to be recovering. The Company estimates that the lowering of US interest rates in January, 2001 is a positive sign, but does not expect significant recovery in lumber prices in 2001 as production capacity still exceeds demand.

The Company's lumber manufacturing costs increased by 2% over 1999, due to higher fibre costs and higher production of woodchips to supply the Company's pulp and paper mills. These increases were offset partially by an increase in chip revenue, which is accounted for as a reduction in manufacturing costs.

Capital Expenditures

The Company spent a total of $528 million on capital expenditures in 2000 compared to $290 million in 1999. Combined capital expenditures of Donohue and Abitibi-Consolidated were $602 million in 2000 compared to $591 million in 1999. Major projects included a new thermo-mechanical pulp (TMP) plant in Kénogami ($71 million in 2000 and $38 million in 1999), the conversion of Beaupré to Equal Offset™ ($13 million in 2000 and $36 million in 1999) and the Sheldon and Lufkin, Texas, modernization programs ($258 million in 2000 and $181 million in 1999). The Beaupré and Sheldon projects were completed in the first quarter of 2000. The new pulp mill in Kénogami started up in January, 2001 and the Lufkin modernization is expected to be completed in the second quarter of 2001.

The Company intends to limit its capital expenditure program for the next two years to $300 million per year; this target represents about 50% of depreciation. This target amount excludes the completion of the Texas modernization program and its share of the Pan Asia Paper joint venture.

Financial Position and Liquidity

Cash generated from operations totalled $1,192 million, or $3.11 per share in 2000, compared to $375 million or $1.51 per share, in 1999. The increase in cash generated by operating activities was due mainly to the improvement in net earnings and significantly higher depreciation.

The Company arranged and fully utilized a bridge loan of $1.8 billion to finance the Donohue acquisition and repay its US$133 million 7.92% senior notes. On July 13th, 2000, the Company issued an aggregated amount of US$1.4 billion in debt (equivalent to $2.1 billion) consisting of US$450 million of 8.30% notes due in 2005, US$500 million of 8.55% notes due in 2010 and US$450 million of 8.85% debentures due in 2030. The net proceeds were used to repay the bridge loan and to reduce other indebtedness.

In December 2000, the Company also refinanced the bank loans of the former Abitibi-Consolidated and Donohue with a new bank credit facility. The Company put in place credit facilities of $1.5 billion in various forms of revolving and term loans, of which $875 million was drawn to repay the former bank loans. The Company had $533 million available for general corporate purposes at December 31st, 2000.

The long-term debt, including the current portion, amounted to $5.6 billion as of December 31st, 2000, which represented a ratio of net debt to capitalization of 0.63.

The Company intends to maintain a disciplined capital expenditure program and to apply free cash flows to the reduction of debt.

1999 compared to 1998

The Company posted net earnings of $216 million in 1999, or $0.86 per fully diluted common share, compared to $229 million in 1998, or $0.93 per fully diluted common share. The decrease in earnings was primarily related to lower average newsprint prices, offset partially by higher lumber and market pulp prices.

Net sales totalled $2,484 million in 1999 compared to $2,296 million in 1998. In addition to price variances mentioned in the preceding paragraph, sales volumes increased from 1998 to 1999 due to the full impact of the Sheldon and Lufkin, Texas mills, which were acquired on June 1st, 1998 as well as the acquisition in August, 1999 of the 50.1% interest in Finlay Forest Industries Inc. not already held by Donohue.

RISKS AND UNCERTAINTIES

Prices

Paper prices are tied to the health of the economies of North and South America, Asia and Europe, as well as to the paper inventory levels in these regions. Strong economic growth in North America in 2000 and the recovery in Asia drove up advertising spending and increased paper consumption.

Paper prices are also tied to variances in production capacity. The Company believes that worldwide production capacity increases are at historically low levels.

The Company expects a favourable global market environment for newsprint and value-added groundwood papers arising from continued, although lower, growth in North America and an improving market in Europe, combined with the absence of significant variations in supply.

Foreign Exchange

The Company's exposure to the US dollar is a significant risk to its business. Approximately 77% of the net revenues and 19% of manufacturing costs are in US dollars. The US dollar exposure may cause volatility in the Company's cash flows and earnings.

The Company's principal paper markets are outside Canada and exposure to exchange rate risks cannot be avoided. The Company's foreign exchange program includes partial hedging of US dollar cash flows. The Company also borrows most of its long-term debt in US dollars and this debt constitutes an effective partial hedge on future US cash flow.

The Company believes that its risk from foreign exchange exposure is being prudently managed.

Softwood Lumber Agreement

The current agreement between Canada and the United States covering softwood lumber exports to the United States ends in March 2001.

Under this agreement, the Company has quotas entitling it to export a certain volume of lumber to the United States without incurring any fees. Additional quotas are subject to a fee of US$53 per thousand board feet. Fees of US$107 per thousand board feet are applied to volume in excess of those quotas. Under normal market conditions, those fees make the excess volume sold in United States unprofitable.

The Company and the Canadian industry associations are asking for free access to the American market.

The outcome of the trade negotiations between Canada and the United States cannot be assessed at the moment.

Fibre Supply

Fibre represents the major raw material in the production of lumber, paper and pulp.

The virgin fibre supply required by the Company in Canada is mostly assured by agreements with provincial governments. The agreements are granted for various terms, from 5 to 25 years, and are generally subject to regular renewal every 5 years. They incorporate commitments with respect to sustainable forest management, silvicultural work, forest and soil renewal and cooperation with other forest users. The Company believes that it complies with all forest regulations and fully expects to have its supply agreements extended as they come up for renewal.

Wood chips supplied to pulp and paper mills are assured through chip production from the Company's sawmills, which accounts for 61% of the Company's needs for wood chips in Canada, from fibre exchanges with independent sawmills and from long-term contracts with third parties. Those contracts are conducted at market prices.

Virgin fibre in the United States is obtained through the Company's private timberlands, long-term supply contracts and purchases on the open market.

The Company also uses recovered paper to produce paper with recycled content. The Company is involved in the recovery of old papers and has contracts with numerous recyclers, waste haulers and brokers in countries where its mills are located.

The Company believes that the balance of fibre supply between its internal sources and the open market is more than adequate to support its paper production requirements.

Environment

The Company is subject to environmental laws and regulations relating to timber cutting, air emissions, wastewater discharge, waste management and landfill sites. The Company believes that it is in material compliance with all laws and regulations governing its activities and that no major capital expenditures are required.

The Company conducts compliance audits, performed by both internal and external auditors, which cover all Company sites over a defined schedule of time.

The Company has a corporate policy on environmental issues and has also implemented a certification process with its pulp and paper mills and woodlands operations under the International Standards Organization (ISO). The Company plans to obtain ISO 14001 certification for all its woodlands operations by 2002.

Price and Exchange Rate Sensitivity

The Company's operating profit, net earnings and fully diluted earnings per share are impacted by fluctuations in selling prices and foreign exchange to the following extent:

2001 Sensitivities

(in millions of Canadian dollars, except per share amounts)

Based on budgeted volumes and prices

	Impact on		
	Operating Profit	Net Earnings	Earnings per Share
US$25 change in transaction price – per unit			
Newsprint[1]	$ 197	$ 130	$0.30
Value-added groundwood papers[1]	$ 68	$ 45	$0.10
Lumber[2]	$ 78	$ 51	$0.12
Foreign exchange			
US$0.01 change in relative value to the Canadian dollar	$ 73	$ 45	$0.10

(1) per tonne

(2) per thousand board feet

Outlook

The Company is a major global low-cost producer and marketer of newsprint, value-added groundwood papers with interests in operations in Canada, the United States, the United Kingdom, South Korea, China and Thailand. It is also one of the major producers of lumber in North America.

After giving effect to machine closures completed in 2000, the Company's production capacity, at the beginning of 2001, is as follows:

(in millions of tonnes, except lumber)	
Newsprint	5,482
Value-added groundwood papers	1,881
Market pulp	450
Lumber (MBf)	2,263

The Company believes that newsprint markets will remain firm in 2001, considering economists forecast for a lower, but still positive, growth in the US economy and a reduction in North American production capacity. The Company will also benefit from the full impact of price increases implemented in 2000.

The Company expects the market for value-added groundwood papers to be unbalanced due to increased capacity in SC grades. Prices may be below the 2000 levels in the first half of this year but are expected to improve thereafter.

The Company intends to complete its synergy cost reduction program put in place at the time of the Donohue acquisition in order to achieve an annual run rate of $250 million prior to the end of 2001.

Market conditions are expected to provide improved net earnings and to allow significant cash flows from operating activities. The Company intends to apply free cash flow to the reduction of long-term debt.

The consolidated financial statements and all other information in the Annual Report are the responsibility of the Company's management and have been approved by its Board of Directors.

The financial statements have been prepared in accordance with generally accepted accounting principles in Canada and include some amounts which are based on best estimates and judgement. Financial information provided elsewhere in the Annual Report is consistent with that shown in the financial statements.

The integrity of the financial statements is supported by an extensive and comprehensive system of internal accounting controls. A team of internal auditors regularly evaluates the Company's accounting systems, policies and procedures and presents its findings to management.

External and internal auditors have free and independent access to the Audit Committee which is comprised of four non-management members of the Board of Directors. The Audit Committee, which meets regularly throughout the year with members of the financial management and the external and internal auditors, reviews the consolidated financial statements and recommends their approval to the Board of Directors.

The accompanying consolidated financial statements have been examined by the external auditors, PricewaterhouseCoopers LLP, whose report follows.

John Weaver

John W. Weaver
President and Chief Executive Officer
January 24th, 2001
Montréal, Québec, Canada

Daniel R. Perkins
Senior Vice-President and Chief Financial Officer
January 24th, 2001
Montréal, Québec, Canada

To the Shareholders of Abitibi-Consolidated Inc.

We have audited the consolidated balance sheet of Abitibi-Consolidated Inc. as at December 31st, 2000 and the consolidated statements of earnings, retained earnings and cash flows for the year ended December 31st, 2000. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31st, 2000 and the results of its operations and its cash flows for the year ended December 31st, 2000 in accordance with Canadian generally accepted accounting principles.

As explained in note 1 to the consolidated financial statements, the comparative information that is included are the consolidated financial statements of Donohue Inc. which are as at December 31st, 1999 and for each of the years ended December 31st, 1999 and 1998. Another firm of chartered accountants expressed an opinion without reservation in their report dated January 25th, 2000, on these consolidated financial statements. We have examined the adjustments, referred to in the paragraph below, that were applied to restate the 1999 and 1998 consolidated financial statements and in our opinion, such adjustments are appropriate and have been properly applied.

PricewaterhouseCoopers LLP

Chartered Accountants
January 24th, 2001
Montréal, Québec, Canada

Notice to US Readers

In the United States, reporting standards for auditors' require the addition of an explanatory paragraph when there is a change in accounting principles that has a material effect on the comparability of the company's financial statements, such as the changes to income taxes and employee future benefits described in note 1 to these consolidated financial statements. Our report to the shareholders is expressed in accordance with Canadian reporting standards, which do not require a reference to such a change in accounting principles in the auditors' report when the change is properly accounted for and adequately disclosed in the financial statements.

PricewaterhouseCoopers LLP

Chartered Accountants
January 24th, 2001
Montréal, Québec, Canada

See accompanying notes to Consolidated Financial Statements.

Consolidated Statement of Earnings

Year ended December 31
(in millions of Canadian dollars, except per share amounts)

	2000	1999	1998
Net sales	$5,677	$2,484	$2,296
Cost of products sold	3,994	1,822	1,547
Selling, general and administrative expenses	168	66	64
Depreciation and amortization	511	224	201
Operating profit	1,004	372	484
Interest on long-term debt	379	94	87
Other expenses (income) (note 4)	21	(15)	14
Earnings before the under-noted items	604	293	383
Income tax expense (note 5)	191	57	129
Non-controlling interests	16	10	15
Earnings before goodwill amortization	397	226	239
Goodwill amortization	30	10	10
Net earnings	$ 367	$ 216	$ 229
Earnings and fully diluted earnings per share (note 6)			
Before goodwill amortization	$ 1.03	$ 0.90	$ 0.96
Net earnings	$ 0.96	$ 0.86	$ 0.93
Weighted average number of common shares outstanding (in millions)	384	249	248

Consolidated Statement of Retained Earnings (Deficit)

Year ended December 31
(in millions of Canadian dollars)

	2000	1999	1998
Retained earnings, beginning of year	$1,053	$ 896	$ 723
Net earnings for the year	367	216	229
Redemption of stock options	(49)	–	–
Dividends declared	(148)	(59)	(56)
Acquisition dividend (note 3)	(1,622)	–	–
Retained earnings (deficit), end of year	$ (399)	$1,053	$ 896

See accompanying notes to Consolidated Financial Statements.

Consolidated Statement of Cash Flows

Year ended December 31
(in millions of Canadian dollars, except per share amounts)

	2000	1999	1998
Operating activities			
Net earnings	$ 367	$ 216	$ 229
Depreciation and amortization	541	234	211
Future income taxes	116	10	(17)
Non-controlling interests	16	10	15
Other non-cash items	(27)	(12)	18
	1,013	458	456
Change in non-cash operating working capital components (note 7)	179	(83)	(30)
Cash flows from operating activities	1,192	375	426
Financing activities			
Increase in long-term debt	5,316	144	874
Repayment of long-term debt	(4,015)	(140)	(373)
Financing fees	(43)	(1)	(5)
Acquisition dividend (note 3)	(1,622)	–	–
Dividends paid to shareholders	(104)	(59)	(56)
Dividends to non-controlling shareholders of subsidiary companies	(20)	(9)	(15)
Redemption of stock options	(49)	–	–
Net proceeds on issuance of shares	3	10	8
Other	2	(17)	(3)
Cash flows from financing activities	(532)	(72)	430
Investing activities			
Business acquisition, net of cash acquired (note 3)	(41)	(82)	(675)
Additions to capital assets	(528)	(290)	(119)
Other	9	–	(1)
Cash flows from investing activities	(560)	(372)	(795)
Increase (decrease) in cash during the year	100	(69)	61
Currency translation adjustment on cash	(1)	(3)	–
Cash and cash equivalents, beginning of year	24	96	35
Cash and cash equivalents, end of year (note 7)	$ 123	$ 24	$ 96
Cash flows from operating activities per share	$ 3.11	$ 1.51	$ 1.72

See accompanying notes to Consolidated Financial Statements.

Consolidated Balance Sheet

As at December 31
(in millions of Canadian dollars)

	2000	1999
Assets		
Current assets		
Cash and short-term investments	$ 123	$ 24
Accounts receivable	681	356
Inventories (note 8)	804	379
Prepaid expenses	51	32
	1,659	791
Capital assets (note 9)	8,022	2,668
Other assets (note 10)	237	101
Goodwill (note 3)	1,337	154
	$11,255	$ 3,714
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	$ 1,371	$ 340
Long-term debt due within one year (note 11)	327	91
	1,698	431
Long-term debt (note 11)	5,265	1,281
Employee future benefits (note 12)	262	44
Future income taxes (note 5)	875	424
Non-controlling interests	60	45
Shareholders' Equity		
Capital stock (note 6)	3,520	421
Contributed surplus	14	23
Retained earnings (deficit)	(399)	1,053
Foreign currency translation adjustment	(40)	(8)
	3,095	1,489
	$11,255	$ 3,714

Contingent liabilities (note 14)

See accompanying notes to Consolidated Financial Statements.

Approved by the Board

John Weaver

John W. Weaver
President and Chief Executive Officer

David A. Ward
Chairman of the Audit Committee

Consolidated Business Segments

Year ended December 31
(in millions of Canadian dollars)

	Net sales	Depreciation and amortization	Operating profit	Assets	Additions to capital assets	Volume sales (unaudited)
2000						
Newsprint	**$3,438**	**$ 338**	**$ 618**	**$ 7,276**	**$ 148**	**4,667 (a)**
Value-added groundwood papers and market pulp	**1,601**	**119**	**384**	**3,120**	**331**	**1,739 (a)**
Lumber	**638**	**54**	**2**	**859**	**49**	**1,828 (b)**
	$5,677	**$ 511**	**$ 1,004**	**$11,255**	**$ 528**	
1999						
Newsprint	$1,479	$ 161	$ 200	$ 2,786	$ 152	2,275 (a)
Value-added groundwood papers and market pulp	413	23	77	290	105	614 (a)
Lumber	592	40	95	638	33	1,476 (b)
	$2,484	$ 224	$ 372	$ 3,714	$ 290	
1998						
Newsprint	$1,417	$ 136	$ 366	$ 2,692	$ 65	1,848 (a)
Value-added groundwood papers and market pulp	390	28	64	374	17	571 (a)
Lumber	489	37	54	611	37	1,325 (b)
	$2,296	$ 201	$ 484	$ 3,677	$ 119	

(a) in thousands of tonnes
(b) in millions of board feet

See accompanying notes to Consolidated Financial Statements

Consolidated Geographic Segments

Year ended December 31
(in millions of Canadian dollars)

Sales by geographic manufacturing location are as follows:

	Net sales	Capital assets and goodwill
2000		
Canada	**$4,155**	**$6,389**
USA	**1,034**	**2,084**
Other countries	**488**	**886**
	$5,677	**$9,359**
1999		
Canada	$1,873	$2,014
USA	611	808
	$2,484	$2,822
1998		
Canada	$1,850	$2,026
USA	446	698
	$2,296	$2,724

Sales by ultimate destination are as follows:

	2000 Net sales	1999 Net sales	1998 Net sales
Canada	**$ 739**	$ 443	$ 391
USA	**3,659**	1,539	1,507
Other countries	**1,279**	502	398
	$5,677	$2,484	$2,296

See accompanying notes to Consolidated Financial Statements.

Notes to Consolidated Financial Statements

December 31, 2000, 1999 and 1998

1. Summary of significant accounting policies

These financial statements are expressed in Canadian dollars and are prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP"). These financial statements differ in certain respects from those prepared in accordance with United States generally accepted accounting principles ("US GAAP") and are not intended to provide certain disclosures which would typically be found in US GAAP financial statements. These measurement differences are described in note 16 "Differences between Canadian and United States generally accepted accounting principles".

a) Principles of consolidation

Effective April 18, 2000, the Company acquired the outstanding common shares of Donohue Inc. ("Donohue"). The business combination of the Company and Donohue has been accounted for using the reverse take-over method of purchase accounting. Donohue was deemed to be the acquirer and to have purchased the assets and liabilities of Abitibi-Consolidated because the shareholders of Donohue, as a group, became owners of more than 56% of the voting shares of the Company on a fully diluted basis following the business combination. The results of operations of Abitibi-Consolidated Inc. are included in the consolidated financial statements from April 18, 2000, the date of the business combination. For accounting purposes, the Company is considered to be a continuation of Donohue except with regard to the authorized and issued capital stock, which is that of the legal parent company, Abitibi-Consolidated Inc. The consolidated financial position of the Company as at December 31, 1999 and the consolidated results of operations and cash flows for the period from January 1, 2000 to April 17, 2000 and for the comparative years presented in these consolidated financial statements are of Donohue Inc. only. Consolidated pro forma results of operations and cash flows are presented in note 3 as supplementary information as if the business combination had occurred on January 1, 2000.

The consolidated financial statements include the accounts of the Company, all its subsidiaries and its proportionate interest in joint venture partnerships. The investments in companies subject to significant influence are accounted for using the equity method.

b) Business of the Company

The Company operates an integrated business in forest products. Operations are located in Canada, in the United States, in the United Kingdom, in South Korea, in China, and in Thailand. The woodlands operations supply logs to sawmills and pulp and paper mills. Sawmills use logs to produce lumber and wood chips. The production and selling of wood products constitutes the "Lumber" segment. Chips are used in the production of newsprint, value-added groundwood paper and market pulp. The remaining fibre requirement for the production of newsprint and value-added groundwood paper comes mainly from the paper recycling facilities operated by the Company and from long-term supply agreements. The collection of old papers and the manufacturing and selling of newsprint constitute the "Newsprint" segment. Newsprint is used to print newspapers and advertising flyers and the demand is determined by circulation and advertising. The manufacturing and selling of value-added groundwood paper and market pulp constitute the "Value-added groundwood paper and market pulp" segment. Value-added groundwood paper is used by commercial printers, converters, advertisers and publishers to produce advertising inserts, books, telephone directories, business forms, magazines and catalogues.

Most of the Company's products are marketed globally with a significant concentration in the United States. The Company does not have any customers for which sales exceed 10% of total sales.

The accounting policies used in each of these business segments are the same as those described in this summary of significant accounting policies. Furthermore, the head office common costs are distributed to the different segments using an appropriate method and this distribution is accounted for at book value. Inter-segment transfers of wood chips and old papers and sales of electricity are recorded at the exchange value, which is the amount agreed to by the parties.

The business segments are managed separately because each business requires different technology and marketing strategies. Business segment operating profits take into account net sales, cost of products sold, selling, general and administrative expenses and depreciation and amortization for each business segment. Interest income, financial charges, other expenses, and income tax expense are not allocated to specific business segments.

c) Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the amounts of revenues and expenses for the reporting period. Actual results could differ from those estimates.

d) Revenue

The Company recognizes revenue when goods are shipped and when significant risks and benefits of ownership are transferred. Distribution costs of $576 million (1999–$263 million, 1998–$198 million) have been charged against gross revenue in determining the net sales.

e) Translation of foreign currencies

Self-sustaining foreign operations

Assets and liabilities of self-sustaining foreign subsidiaries and joint ventures are translated into Canadian dollars at year-end exchange rates and the resulting unrealized exchange gains or losses are included in the foreign currency translation adjustment account in shareholders' equity. Revenues and expenses are translated at prevailing market rates in the recognition period.

Domestic and integrated foreign operations

Monetary assets and liabilities of domestic and integrated foreign operations denominated in foreign currencies are also translated at year-end exchange rates. Non-monetary assets and liabilities of integrated foreign operations are translated at the historical rate relevant for the particular asset or liability. The resulting exchange gains or losses, except those related to long-term debt, are absorbed by operations in the year revenues and expenses are translated at prevailing market rates in the recognition period.

US dollar long-term debt

The US dollar net assets of self-sustaining joint ventures and subsidiaries hedge a portion of the Company's US dollar debt. Exchange gains and losses on translation of that hedged US dollar debt are included in the foreign currency translation adjustment account in shareholders' equity. Any remaining US dollar debt is generally hedged by future US dollar net operating cash flows. Exchange gains or losses on US dollar debt hedged by future net operating cash flows are deferred and included in earnings in the period that the US dollar revenue is earned.

Realized gains and losses on option and forward exchange rate contracts that hedge anticipated revenues are included in earnings when the revenue is earned.

f) Inventories

Lumber, market pulp, newsprint and value-added groundwood paper are valued at the lower of cost, determined on an average cost basis, and net realizable value.

Logs, chips, other raw materials and production and maintenance supplies are valued at the lower of cost, determined on an average cost basis, and replacement cost.

g) Capital assets and depreciation

Capital assets are recorded at cost, including capitalized interest and pre-production costs. Investment tax credits and government capital grants received reduce the cost of the related capital assets.

Depreciation is provided principally using the straight-line method at rates, which amortize the capital assets' cost over the productive life of the asset as follows:

	Method	Rate
Buildings, pulp and paper mill production equipment and main logging roads	Straight-line	4%-5%
Sawmill production equipment	Straight-line	8.5%-10%
Timberlands and cutting rights	Straight-line	4%
Hydroelectric power plants and water rights	Straight-line	2.5%

Additions to capital assets are depreciated from the date of operation.

h) Environmental costs

Environmental expenditures that will benefit the Company in future years are recorded at cost and capitalized as part of capital assets. Depreciation is charged to income over the estimated future benefit period of the asset. Environmental expenditures that are not expected to provide a benefit to the Company in future periods are accrued when an environmental exposure is identified.

i) Employee future benefits

The estimated cost of pensions and other post-retirement benefits provided by the Company to employees is accrued using actuarial techniques and assumptions, including an appropriate discount rate, during the employees' active service years.

j) Goodwill

Goodwill represents the excess of the purchase amount of investments in subsidiaries, joint ventures and businesses acquired over the proportionate share of the underlying value of the identifiable net assets at the date of acquisition. It is amortized over its estimated period of future benefit, generally 40 years, using the straight-line method. The unamortized portion of goodwill is regularly compared with its fair value and, based on management's projected undiscounted future cash flows from the related operations, any impairment in value is recorded as a charge to earnings.

k) Income taxes

Future income tax assets and liabilities are recognized for the future income tax consequences of events that have been included in the financial statements or income tax returns of the Company. Future income taxes are provided for using the liability method. Under the liability method, future income taxes are recognized for all significant temporary differences between the tax and financial statement bases of assets, liabilities and certain carry forward items.

Future income tax assets are recognized only to the extent that, in the opinion of management, it is more likely than not that the future income tax assets will be realized. Future income tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment or substantive enactment.

l) Other assets

Deferred assets are amortized over the life of the related long-term financial instrument, which generally ranges from five to thirty years.

m) Stock-based compensation plans

The Company has a stock-based compensation plan, which is described in note 6. No compensation expense is recognized for this plan when stock or stock options are issued to employees. Any consideration paid by employees on exercise of stock options or purchase of stock is credited to capital stock.

n) Change in accounting policies

Effective January 1, 2000, the Company adopted, retroactively with restatement, the Canadian Institute of Chartered Accountants ("CICA") recommendations for the accounting of income taxes which requires the asset and liability method. As a result of these recommendations, capital assets increased by $35 million, goodwill increased by $141 million, retained earnings on December 31, 1999 increased by $2 million, net future income tax liability increased by $174 million. The restatement of prior years statement of earnings resulted in an increase in net earnings reported for the year ended December 31, 1999 of $4 million (1998 – $1 million).

Effective January 1, 2000, the Company also adopted, retroactively with restatement, the new recommendations of the CICA regarding the methods of accounting for pensions and other employee benefits. Accrued pension benefit obligations and related expenses are now determined using a current settlement discount rate to measure the accrued pension obligation, rather than a long-term rate of return previously used. Other post-retirement benefits are now accrued over an estimate of the active service life of an employee rather than on the "pay-as-you-go" basis previously used. This change resulted in the recording of additional employee future benefit obligations of $17 million, the related increase of $6 million in future income tax assets and a net reduction of retained earnings of $11 million as of December 31, 1999. The restatement of prior years statement of earnings resulted in a decrease in net earnings reported for the year ended December 31, 1999 of $1 million (1998 – $1 million).

The adoption of these new recommendations had no effect on the cash flows of the Company.

2. Investment in joint ventures

(tabular dollar amounts in millions of Canadian dollars)

During 1998 and as at December 31, 1998, the Company held a 49.9% interest in the outstanding shares of Finlay Forest Industries Inc. ("Finlay") and a 50% interest in Donohue Matane Inc. ("Matane").

On August 4, 1999, the Company acquired the remaining interest of 50.1% of the outstanding shares of Finlay; and on December 3, 1999, the Company sold its 50% interest in Matane. The consolidated results of operations and cash flows for the years ended December 31, 1999 and 1998 include the Company's proportionate share of the activities of Finlay (49.9%) and Matane (50%) from the date of acquisition, or up to the date of divestiture, as shown in the table below.

The Company's consolidated financial position as at December 31, 2000 and consolidated results of operations and cash flows from April 18, 2000 to December 31, 2000 include, on a proportionate consolidation basis, the impact of its US joint venture partnerships comprising Augusta Newsprint Company – 50%, Alabama River Newsprint Company ("Alabama") – 50% and Alabama River Recycling Company ("Alabama Recycling") – 50%, its Asian joint venture ("Pan Asia Paper") – 33.3%, Star Lake Hydro Partnership – 51% and the Company's investments in joint venture sawmills in Québec.

	2000	1999	1998
Revenues			
Net sales	$ 556	$ 115	$ 156
Expenses			
Cost of products sold	399	95	132
Selling, general and administrative expenses	11	3	7
Depreciation and amortization	45	11	16
Financial expenses	42	4	9
	497	113	164
Earnings (loss) before income taxes	$ 59	$ 2	$ (8)
Cash flows from			
Operating activities	$ 85	$ 11	$ 17
Financing activities	(67)	(10)	(8)
Investing activities	(15)	(1)	(8)
	$ 3	$ –	$ 1
Assets			
Current assets	$ 241	$ –	
Capital assets	937	–	
Other assets	45	–	
Liabilities			
Current liabilities	102	–	
Non-recourse long-term debt	578	–	
Future income taxes	5	–	
Non-controlling interest	20	–	

The Company has an option, at a nominal exercise price, to purchase the other joint venture partner's 50% interest in Alabama and Alabama Recycling. The Company can exercise this option beginning in 2003 or upon an earlier refinancing of the joint venture partnership's debt.

3. Acquisitions and divestiture

(tabular dollar amounts in millions of Canadian dollars)

Effective April 18, 2000, Abitibi-Consolidated acquired the outstanding Class A Subordinate Voting Shares and Class B Shares of Donohue (the "Donohue Shares") for a cash payment per Donohue Share of $12 and the issuance of 1.846 Abitibi-Consolidated Inc. common shares for each Donohue Share acquired.

As described in note 1, the business combination of Abitibi-Consolidated and Donohue has been accounted for using the reverse take-over method of purchase accounting. The cash component of the transaction, which amounted to $1,622 million, has been accounted for as a dividend paid to the former Donohue shareholders. The net assets acquired are those of Abitibi-Consolidated Inc. as at April 18, 2000, at their fair value. This value was based upon the assigned value of $16.25 per share for the 190 million issued and outstanding shares of Abitibi-Consolided Inc. at that date, for a total value of $3,097 million.

On August 4, 1999, the Company acquired the remaining 50.1% of the outstanding shares of Finlay, a joint venture operating a newsprint and specialties mill and two sawmills in British Columbia. This acquisition was accounted for using the purchase method. On December 3, 1999, the Company sold its interest in the joint venture Donohue Matane Inc. (note 2).

On February 17, 1998, the Company acquired all the outstanding shares of Maboco Inc., a finger-jointing mill located in the Lac-Saint-Jean region. Also, on June 1, 1998, the Company acquired the assets of two newsprint and value-added groundwood paper mills and three paper collection and sorting facilities located in the State of Texas.

The earnings of all businesses acquired are included from the date of acquisition.

The fair value of net assets acquired and the carrying value of net assets sold were as follows:

	2000	1999		1998
	Net assets acquired	Net assets acquired	Net assets sold	Net assets acquired
Net assets acquired or sold				
Current assets	**$ 955**	$ 41	$ 21	$ 85
Capital assets	**5,349**	144	72	682
Other assets and investments	**70**	–	(4)	–
Current liabilities assumed	**(920)**	(26)	(20)	(92)
Long-term debt and bank loan	**(2,868)**	(64)	(70)	–
Employee future benefits	**(290)**	–	–	–
Non-controlling interests	**(19)**	–	–	–
Future income tax liabilities	**(340)**	(14)	–	–
Goodwill	**1,213**	–	–	–
Fair value of net assets acquired or carrying value of net assets sold	**$3,150**	$ 81	$ (1)	$ 675
Consideration paid (received)				
Cash	**$ 53**	$ 81	$ (1)	$ 675
Balance receivable	**–**	–	(4)	–
Common shares	**3,097**	–	–	–
	$3,150	$ 81	$ (5)	$ 675

The pro forma condensed consolidated statements of earnings and cash flows for the year 2000 give effect to the business combination of Donohue Inc. and Abitibi-Consolidated Inc. as though it had taken place on January 1, 2000.

Pro Forma Condensed Consolidated Statement of Earnings

Year ended December 31, 2000
(in millions of Canadian dollars, except per share amounts)

	(Unaudited)
Net sales	**$6,803**
Operating profit	**1,109**
Interest on long-term debt	**494**
Earnings before goodwill amortization	**388**
Net earnings	**$ 350**
Earnings and fully diluted earnings per share	
Before goodwill amortization	**$ 0.88**
Net earnings	**$ 0.80**
Weighted average number of common shares outstanding (in millions)	**440**

Notes to Consolidated Financial Statements

December 31, 2000, 1999 and 1998

Pro Forma Condensed Consolidated Statement of Cash Flows

Year ended December 31, 2000
(in millions of Canadian dollars)

	(Unaudited)
Operating activities	
Cash flows from operating activities	$1,029
Financing activities	
Increase in long-term debt	5,532
Repayment of long-term debt	(3,998)
Dividends paid to shareholders	(1,798)
Redemption of stock options	(49)
Other	(58)
Cash flows from financing activities	(371)
Investing activities	
Business acquisition, net of cash acquired	(41)
Additions to capital assets	(610)
Other	(4)
Cash flows from investing activities	(655)
Increase in cash during the year	$ 3

4. Other expenses (income)

(tabular dollar amounts in millions of Canadian dollars)

	2000	1999	1998
Interest income	$ (8)	$ (6)	$ (5)
Discounts on sales of accounts receivable (note 13)	22	–	–
Gain on disposal of capital assets	(29)	(15)	–
Amortization of deferred financing fees	7	3	3
Write-off of unamortized financing fees and penalties on early retirement of debt	29	–	6
Other	–	3	10
	$ 21	$ (15)	$ 14

5. Income taxes

(tabular dollar amounts in millions of Canadian dollars)

The differences between the effective tax rate reflected in the provision for income taxes and the combined statutory income tax rate are as follows:

	2000	1999	1998
Average combined income tax rate	**39%**	40%	40%
Manufacturing and processing allowances	**(7)**	(7)	(7)
Recovery from disposal of a joint venture	**–**	(7)	–
Canadian large corporations tax	**2**	(5)	1
Other	**(2)**	–	–
Effective income tax rate	**32%**	21%	34%

The temporary differences that give rise to future tax assets and liabilities at December 31 consist of the following:

	2000	1999
Non-current future income tax assets		
Loss carry forwards	**$ 315**	$ 58
Other	**12**	21
	$ 327	$ 79
Non-current future income tax liabilities		
Capital assets	**$1,189**	$ 503
Other	**13**	–
	$1,202	$ 503
	$ 875	$ 424

Significant components of the income tax expense are as follows:

	2000	1999	1998
Current income tax expense	**$ 75**	$ 47	$ 146
Future income tax expense relating to			
origination and reversal of temporal differences	**138**	15	(14)
Future income tax benefit resulting from rate change	**(22)**	(5)	(3)
Income tax expense	**$ 191**	$ 57	$ 129

Management believes that all future income tax assets will more likely be realized than not and accordingly no valuation allowance has been made.

6. Capital stock

(tabular dollar amounts in millions of Canadian dollars)

a) Authorized

The Company is incorporated under the Canada Business Corporations Act and is authorized to issue an unlimited number of preferred shares and common shares.

b) Issued common shares

The first table below presents changes in the legally issued share capital of the Company from January 1, 1998 to December 31, 2000. As described in note 1, the comparative year amounts shown in these consolidated financial statements are those of Donohue, including the issued share capital. The second table below presents changes in the legally issued share capital of Donohue in prior years. The number of common shares issued has been retroactively restated to reflect the share exchange described in note 1.

	2000		1999		1998	
	Millions of shares	$	Millions of shares	$	Millions of shares	$
Abitibi-Consolidated Inc.						
Common shares, beginning of year	190	2,552	190	2,550	194	2,599
Issue of common shares	250	4,056	–	–	–	–
Difference between the stated capital and accounting value of shares issued to former shareholders of Donohue	–	(3,088)	–	–	–	–
Exercise of stock options	–	–	–	2	–	1
Purchased and cancelled	–	–	–	–	(4)	(50)
Common shares, end of year	440	3,520	190	2,552	190	2,550
Donohue Inc.						
Class A and B shares, beginning of year			249	411	248	403
Exercise of stock options			1	10	1	8
Class A and B shares, end of year			250	421	249	411
Preferred shares			–	–	–	4
Total capital stock, end of year			250	421	249	415

The acquisition of Donohue Inc. was completed during 2000 with the issue of 250 million common shares in exchange for all of the outstanding 135 million class A and class B shares of Donohue Inc.

Under the reverse take-over method of accounting business combination, shares issued to Donohue's shareholders are deemed to have the book value of Donohue Capital Stock prior to the acquisition date and the 190 million shares of Abitibi-Consolidated Inc. outstanding prior to the acquisition are assumed to be issued at $16.25 per share.

c) Stock Option Plan

A summary of the status of the Stock Option Plan as of December 31, 2000 and 1999, and changes during the years ended on those dates, is presented below. The comparative information is of Abitibi-Consolidated Inc. alone and does not include stock option information of Donohue.

	2000		1999	
	Options/ Million of shares	Weighted average exercise price	Option/ Million of shares	Weighted average exercise price
Outstanding at beginning of year	7.1	$ 17.10	4.8	$ 18.89
Granted	1.7	13.64	2.7	14.29
Exercised	–	14.40	(0.1)	19.33
Cancelled	(1.2)	16.77	(0.3)	19.24
Outstanding at end of year	7.6	$ 16.38	7.1	$ 17.10
Options exercisable at end of year	3.9	–	3.1	–

The following table summarizes information about stock options outstanding at December 31, 2000:

	Options outstanding			Options exercisable	
Range of exercise prices	Options outstanding	Average remaining life (years)	Weighted average exercise price	Options exercisable	Weighted average exercise price
$13.25 to $13.42	1.7	9	$ 13.40	–	$ 13.32
$14.25 to $15.99	2.5	7	14.62	1.0	14.86
$16.18 to $17.94	1.0	5	17.45	1.0	17.46
$18.42 to $19.63	1.6	6	18.64	1.1	18.69
$21.31 to $23.08	0.8	4	22.12	0.8	22.15
	7.6	–	$ 16.38	3.9	$ 17.99

Under this Plan, 12 million stock options may be granted at the end of the year.

Outstanding employee stock purchase loans under this Plan totalled $5 million at December 31, 2000 (1999 – $5 million) and are included in accounts receivable on the balance sheet. The loans mature at various dates from 2004 to 2009 and bear interest. They are generally secured by the related common stock of the Company.

d) Earnings per share

Basic earnings per share are based upon the weighted average number of common shares outstanding during the year. As described in note 1, the operations of the Company prior to April 18, 2000 are exclusively those of Donohue. For comparative purposes, the weighted average number of common shares outstanding for periods prior to April 18, 2000 are based upon the number of Donohue common shares then outstanding, restated to give effect to the share exchange referred to in note 1.

Fully diluted earnings per share is based upon the weighted average number of common shares outstanding and stock options outstanding at the beginning of, or granted during, the year. Comparative amounts for prior periods have been restated as described in the paragraph above.

Notes to Consolidated Financial Statements

December 31, 2000, 1999 and 1998

7. Supplemental cash flow information

(tabular dollar amounts in millions of Canadian dollars)

	2000	1999	1998
Changes in non-cash operating working capital			
Accounts receivable	$ 123	$ 30	$ (119)
Inventories	(16)	–	(11)
Prepaid expenses	19	1	(5)
Accounts payable and accrued liabilities	60	(40)	74
Income taxes payable	(7)	(74)	31
	$ 179	$ (83)	$ (30)
Non-cash transactions excluded from consolidated cash flows			
Acquisition of capital assets included in accounts payable at year-end	$ 68	$ 11	$ 8
Cash outflows from operations related to:			
Interest on long-term debt	288	94	75
Income taxes	71	126	118

Cash and cash equivalents comprise cash on hand, demand deposits and banker's acceptances and commercial paper with a maturity of three months or less from the date of purchase that are recorded at cost, which approximates market value.

8. Inventories

(tabular dollar amounts in millions of Canadian dollars)

	2000	1999
Newsprint	$ 101	$ 49
Lumber	111	68
Value-added groundwood papers and market pulp	52	13
Logs, chips, other raw materials, and production and maintenance supplies	540	249
	$ 804	$ 379

9. Capital assets

(tabular dollar amounts in millions of Canadian dollars)

	2000			1999
	Cost	Accumulated depreciation	Net book value	Net book value
Buildings, pulp and paper mill production equipment	$7,505	$1,325	$ 6,180	$ 1,931
Sawmill production equipment	500	231	269	225
Woodlands, roads, camps and equipment	254	97	157	83
Timberlands and cutting rights	122	35	87	45
Hydroelectric power plants and water rights	947	43	904	220
Construction in progress	425	–	425	164
	$9,753	$1,731	$ 8,022	$ 2,668

During the year, interest expense amounting to $13 million (1999 – $1.5 million, 1998 – nil) has been capitalized in connection with the modernization program of the Company's facilities. Depreciation expense included in the determination of earnings was $511 million (1999 – $224 million, 1998 – $201 million).

10. Other assets

(tabular dollar amounts in millions of Canadian dollars)

	2000	1999
Deferred financing fees	$ 39	$ 14
Deferred foreign exchange losses	112	36
Employee future benefits	–	46
Equity investments	57	2
Other	29	3
	$ 237	$ 101

Amortization of deferred charges amounted to $27 million during the year (1999 – $3 million, 1998 – $9 million).

Notes to Consolidated Financial Statements
December 31, 2000, 1999 and 1998

11. Long-term debt
(tabular dollar amounts in millions of Canadian dollars)

a) Recourse

	2000	1999
Canadian and US revolving facilities bearing interest at floating rates based on bankers acceptance, prime, US base rate or LIBOR, maturing in 2001 and 2005 (2000 US$130 million, 1999 US$79 million)	$ 194	$ 114
Canadian and US term loans bearing interest at floating rates based on banker's acceptance, prime, US base rate or LIBOR, maturing in 2005 (2000 US$461 million, 1999 US$439 million)	691	637
US$150 million 9.125% senior notes due May 15, 2005	225	218
US$450 million 8.3% notes due August 1, 2005	675	–
US$200 million 7.625% senior notes due May 15, 2007	300	291
US$250 million 6.95% notes due April 1, 2008	342	–
US$250 million 7.875% notes due August 1, 2009	362	–
US$500 million 8.55% notes due August 1, 2010	750	–
US$100 million 7.40% debentures due April 1, 2018	128	–
US$250 million 7.50% debentures due April 1, 2028	314	–
US$250 million 8.5% debentures due August 1, 2029	355	–
US$450 million 8.85% debentures due August 1, 2030	675	–
US$75 million (1999 US$75 million) 8.74% notes payable due 2005	–	109
Other	3	3
	5,014	1,372
Less: Due within one year	234	91
	$ 4,780	$ 1,281

On July 19, 2000, the Company issued US$1,400 million of notes and debentures comprising of US$450 million 8.3% notes due in 2005, US$500 million 8.55% notes due in 2010 and US$450 million 8.85% debentures due in 2030. The net proceeds of these issues were used primarily to extinguish the bridge loan facility incurred in conjunction with the Donohue acquisition and to repay other indebtedness.

On December 20, 2000, the Company and certain of its subsidiaries negotiated new credit facilities of $1,500 million or the equivalent in US dollars: revolving facilities of $800 million maturing in 2001 and 2005 and term loans of $700 million maturing in 2005. These new facilities were used to repay the former bank facilities. The available portion of the revolving facilities was $533 million as at December 31, 2000.

Certain notes and debentures of the Company were assumed in the business acquisition (referred to in note 1) and are accounted for at their fair value at the time of acquisition. The differences between nominal value and fair market value of these debts are being amortized over the terms of the debt.

The US$150 million senior notes issued by a subsidiary of the Company are redeemable at the subsidiary's option, in whole or in part, at a premium to year 2003 and at par thereafter, plus accrued interest.

Certain of the debt agreements contain restrictive covenants. In addition, the bank credit facilities require the Company to periodically meet specific financial ratios. At December 31, 2000, the Company met the required tests.

b) Non-recourse

The Company's portion of the long-term debt of its US newsprint, Asian and other joint ventures is with recourse only to the assets of the joint venture entities. These loans are described as non-recourse as they have no recourse to the parent company but are secured by joint venture assets and consist of the following debt:

	2000	1999
Alabama		
US$104 million LIBOR plus 2% term loans, maturing in 2002, with quarterly principal repayments of US$2.5 million	$ 156	$ –
Alabama Recycling		
US$8 million 10.50% senior notes, maturing in 2007	12	–
Augusta		
US$25 million 10.01% senior secured notes, maturing in 2004	37	–
US$25 million 7.7% senior secured notes, maturing in 2007	34	–
Pan Asia Paper		
US$79 million loans bearing interest at floating rates based on LIBOR, maturing in 2001-2004	119	–
Korean Won 92 billion fixed-rate loans (8.99%-10.34%) maturing 2002-2006	109	–
Capital leases and other borrowing facilities	79	–
Other	32	–
	578	–
Less: Due within one year	93	–
	$ 485	$ –

Pan Asia Paper has a line of credit of US$75 million and Augusta has a line of credit of US$5 million, bearing prevailing market interest rates. Those lines of credit were undrawn as at December 31, 2000.

Joint venture distributions are subject to certain restrictions until these loans are repaid in accordance with the loan agreements.

c) Scheduled long-term debt repayments

	Recourse Debt	Non-recourse Debt
2001	$ 234	$ 93
2002	29	204
2003	29	104
2004	30	67
2005	1,466	38
Thereafter	3,226	72
	$ 5,014	$ 578

d) Fair value of long-term debt

The estimated fair value of the long-term debt at the year-end dates is as follows and has been determined based on management's best estimate of the fair value to renegotiate debt with similar terms at the respective year-end dates:

	2000	1999
Recourse	$ 4,959	$ 1,336
Non-recourse	581	–
	$ 5,540	$ 1,336

12. Employee future benefits

(tabular dollar amounts in millions of Canadian dollars)

The Company maintains contributory defined benefit pension plans covering certain groups of employees. The Company has an obligation to ensure that these plans have sufficient funds to pay the benefits earned. These plans provide pensions based on length of service and certain average employee earnings. Pension benefit obligations were based on an assumed discount rate of 6.75% and an assumed compensation rate increase of 3.39%. The assumed long-term rate of return on pension plan assets was 8.56%. The Company provides other defined benefit plans consisting of group health care and life insurance benefits to eligible retired employees and their dependents. The Company also sponsors various defined contribution pension plans.

Information about the Company's defined benefit pension plans, in aggregate, is as follows:

	2000		1999	
	Plans having a net asset	**Plans having a net liability**	Plans having a net asset	Plans having a net liability
Change in accrued benefit obligation				
Accrued benefit obligation at beginning of year	**$ 436**	**$ 171**	$ 406	$ 152
Acquisition of Abitibi-Consolidated Inc.	**836**	**1,433**	–	–
Service cost	**25**	**36**	12	8
Interest cost	**70**	**83**	30	12
Special early retirement program	**(6)**	**–**	11	–
Actuarial loss attributable to experience	**31**	**35**	–	–
Foreign exchange loss (gain)	**1**	**(1)**	–	–
Benefits paid	**(69)**	**(64)**	(23)	(1)
Accrued benefit obligation at end of year	**$ 1,324**	**$ 1,693**	$ 436	$ 171
Change in plan assets				
Fair value of plan assets at beginning of year	**$ 497**	**$ 156**	$ 449	$ 135
Acquisition of Abitibi-Consolidated Inc.	**881**	**1,198**	–	–
Return on plan assets	**92**	**85**	61	15
Foreign exchange gain	**1**	**3**	–	–
Employer contributions	**22**	**28**	5	4
Plan participants' contributions	**8**	**14**	5	3
Benefits paid	**(69)**	**(64)**	(23)	(1)
Fair value of plan assets at end of year	**$ 1,432**	**$ 1,420**	$ 497	$ 156
Funded status of the plans				
Funded status of the plans – surplus (deficit)	**$ 108**	**$ (273)**	$ 61	$ (15)
Unrecognized prior service cost	**–**	**2**	–	–
Unrecognized actuarial loss	**28**	**16**	–	–
Net amount recognized	**$ 136**	**$ (255)**	$ 61	$ (15)
Amount recognized in the balance sheet consists of:				
Prepaid benefit cost		**$ 136**		$ 61
Accrued benefit liability		**(255)**		(15)
Net amount recognized		**$ (119)**		$ 46

Information about the Company's defined benefit pension plans, in aggregate, is as follows:

	2000	1999
Change in accrued benefit obligation		
Accrued benefit obligation at beginning of year	$ 45	$ 43
Acquisition of Abitibi-Consolidated Inc.	96	–
Service cost	3	1
Interest cost	8	3
Actuarial loss attributable to experience	5	–
Foreign exchange loss	1	–
Benefits paid	(7)	(3)
Accrued benefit obligation at end of year	$ 151	$ 44
Change in plan assets		
Employer contributions	$ 7	$ 3
Benefits paid	(7)	(3)
Fair value of plan assets at end of year	$ –	$ –
Funded status of the plans		
Funded status of the plans – surplus (deficit)	$ (151)	$ (44)
Unrecognized actuarial gain	8	–
Net amount recognized, consists of accrued benefit liability	$ (143)	$ (44)
Amount recognized in the balance sheet consists of:		
Accrued benefit liability	$ (143)	$ (44)

Pension and other benefit costs of these plans is as follows:

	2000	1999	1998
Current service cost	$ 42	$ 15	$ 13
Interest cost on earned benefit obligations	163	45	41
Estimated return on plan assets	(177)	(45)	(40)
Other components	(1)	(1)	(1)
Net cost	$ 27	$ 14	$ 13

13. Financial instruments and risk management

Foreign exchange risk management

The Company uses various financial instruments to reduce its exposure to foreign currency exchange risk. Furthermore, the long-term debt expressed in US dollars is also considered as an effective hedge against the exchange risk related to the future revenue streams originating from sales denominated in US dollars.

The Company had the following US dollar foreign exchange forward contracts outstanding at December 31 for the purchase of foreign currencies:

Maturity	Average Canadian dollar Contract Rate to sell US$1		Contract Amount Millions of US Dollars	
	2000	1999	2000	1999
2000	–	1.4916	$ –	$ 4
2001	1.3896	–	589	–
2002	1.4038	–	556	–
2003	1.4692	–	449	–
2004	1.4918	–	$ 5	$ –

The Company had the following US dollar options outstanding at December 31 for the purchase of foreign currencies:

Maturity	Average floor	Average ceiling	Average floor	Average ceiling	Contract amount Millions of US Dollars	
	2000		1999		2000	1999
2000	–	–	1.4619	1.5231	$ –	$ 241
2001	1.4382	1.4900	1.4442	1.5017	255	117
2002	1.4260	1.4912	–	–	$ 58	$ –

The gains and losses on foreign exchange contracts are recognized in earnings when the related hedged revenue is recorded. As at December 31, 2000, the Company would have had to pay $126 million (1999 would have received $11 million) had it settled its then outstanding foreign exchange contracts and options. Of that potential obligation, an amount of $59 million payable has been recorded as part of the reverse takeover accounting, when all of the foreign exchange contracts of Abitibi-Consolidated Inc. were marked to market.

Interest rate risk management

From time to time, the Company uses interest rate swap agreements whereby it is committed to exchange with the contracting parties, at specific intervals, the difference between the fixed and floating interest rates or within a specified range of interest rates calculated by reference to the notional amounts. No such contracts were outstanding as at December 31, 2000.

Credit risk management

The Company is exposed to credit risk on the accounts receivable from its customers. In order to manage its credit risk, the Company has adopted credit policies, which include the analysis of the financial position of its customers and the regular review of their credit limits. In some cases, the Company requires bank letters of credit or subscribes to credit insurance. The Company did not incur significant bad debt expenses in any of the last three years.

The Company does not have significant exposure to any individual customer. Its customers are mainly in the newspaper publishing, specialty paper, commercial printing and lumber wholesaling and retailing businesses.

The Company has an ongoing program to sell accounts receivable, with minimal recourse, to major financial institutions pursuant to sale agreements. The Company acts as a service agent and administers the collection of the accounts receivable sold pursuant to these agreements. At December 31, 2000, these financial institutions owned $650 million of such receivables, with a maximum risk exposure to the Company of $39 million.

Fair value of financial instruments

The carrying amount of cash and cash equivalents, accounts receivable, and accounts payable and accrued liabilities approximates their fair value because of the short-term maturities of these items.

The differences between the carrying and the fair value of long-term financial instruments contracted by the Company arise from changes in interest and exchange rates between the inception dates of these contracts and the balance sheet date. The Company does not hold financial instruments for speculative purposes and the effect on the financial statements may vary depending on future changes in interest and exchange rates. See note 11 "Long-term debt" for a comparison of the carrying and the fair values of the Company's long-term debt.

14. Contingent liabilities

In the normal course of its business activities the Company is subject to a number of unrelated claims and legal actions that may be made by customers, suppliers and others in respect of which either an adequate provision has been made or for which no material liability is expected.

15. Comparative figures

Certain comparative figures presented in these consolidated financial statements have been restated to conform to the current year's presentation.

16. Differences between Canadian and United States generally accepted accounting principles

(tabular amounts in millions of Canadian dollars, except per share amounts)

The Company's consolidated financial statements have been prepared in accordance with generally accepted accounting principles ("GAAP") in Canada which, in the case of the Company, conform in all material respects with US GAAP, with the following material exceptions:

a) The Company includes in earnings gains and losses on US dollar debt hedged by anticipated future net operating cash flows when the related revenue is earned. Under US GAAP, any unrealized exchange gains or losses on US dollar debt hedged by anticipated future net operating cash flows would be recognized in income immediately.

b) The Company has outstanding foreign exchange forward contracts, which it designates as a hedge of anticipated future revenue. Under US GAAP, any unrealized gains or losses on such foreign exchange forward contracts would be recognized in income immediately.

In 1998, FASB Statement 133 was issued in the United States. This Statement addresses accounting and disclosure requirements for derivative instruments and hedging activities. The Company is required to adopt the Statement at the latest in fiscal year 2001. There should be no significant impact from adopting this standard on the net assets, earnings and equity of the Company under US GAAP when compared to those before the adoption of the standard.

c) In Canada, gains or losses on the early retirement of long-term debt are included in earnings before extraordinary items. In the United States, those items are specifically classified as extraordinary.

d) The Company accounts for its joint venture investments using the proportionate consolidation method. Under US GAAP, these joint ventures would be accounted for using the equity method.

e) The Company recorded the redemption of Donohue's stock options as a capital transaction charge to retained earnings. Under US GAAP, in accordance with FASB Statement 123, a compensation cost would have been recorded to earnings upon the early settlement of the options.

f) Canadian GAAP permits the acquirer in a business combination accounted as a purchase to adjust to fair value specific assets and obligations of the acquirer as if they were those of the acquired Company. These are referred to as the duplicate property provisions. US GAAP does not permit this accounting treatment in accordance with EITF Abstract 95-3.

g) The Company deducts the distribution costs from gross revenue in determining the net sales on its Consolidated Statement of Earnings. Under US GAAP, in accordance with EITF Abstract 00-10, these costs would be included in the cost of products sold.

Notes to Consolidated Financial Statements

December 31, 2000, 1999 and 1998

The following financial information is presented in accordance with US GAAP, reflecting the adjustments disclosed above.

Effects on the Consolidated Net Earnings

	2000	1999	1998
Net earnings, as reported in the consolidated statements of earnings per Canadian GAAP	$ 367	$ 216	$ 229
Current year adjustments			
Foreign currency translation (a)	(76)	68	(67)
Derivative financial instruments (b)	(78)	49	(9)
Redemption of stock options (e)	(49)	–	–
Duplicate property adjustments related to the business combination (f)	(67)	–	–
Write-off of financing charges and foreign exchange losses on early debt retirement (c)	20	–	–
Goodwill amortization (f)	1	–	–
Less: Applicable income taxes on the above	66	(38)	25
Earnings before extraordinary item, as adjusted per US GAAP	184	295	178
Extraordinary item net of applicable income taxes (c)	(14)	–	–
Net earnings, as adjusted per US GAAP	$ 170	$ 295	$ 178
Per share data (basic and diluted)			
Net earnings, as reported per Canadian GAAP	$ 0.96	$ 0.86	$ 0.93
Net earnings, as adjusted per US GAAP	$ 0.44	$ 1.18	$ 0.72

Condensed consolidated balance sheet

	2000		1999	
	Canadian GAAP	US GAAP	Canadian GAAP	US GAAP
Current assets	$ 1,659	$ 1,418	$ 791	$ 814
Capital assets	8,022	7,085	2,668	2,668
Investments	57	575	2	2
Other assets (a)	180	23	99	63
Goodwill (f)	1,337	1,269	154	154
Current liabilities (b)	1,698	1,626	431	491
Long-term debt	5,265	4,687	1,281	1,281
Non-controlling interests	60	40	45	45
Employee future benefits	262	262	44	44
Future income taxes (a)(b)(f)	875	823	424	410
Common shares	3,520	3,520	421	421
Retained earnings	(399)	(563)	1,053	1,037

Condensed consolidated cash flows

	2000	1999	1998
		US GAAP	
Cash flows from operating activities	$ 1,013	$ 364	$ 409
Cash flows from financing activities	(416)	(62)	438
Cash flows from investing activities	(501)	(371)	(787)
Cash and cash equivalents, end of year	120	24	95

Other disclosures

Under US GAAP, the Company is required to prepare a distinct statement of comprehensive income. This statement would be as follows for the years ended December 31, 2000, 1999 and 1998:

	2000	1999	1998
Net earnings, as adjusted per US GAAP	$ 170	$ 295	$ 178
Other comprehensive income			
Cumulative translation adjustment on investment in foreign subsidiaries	(32)	(51)	42
Comprehensive income	$ 138	$ 244	$ 220

Abitibi-Consolidated Inc.

Historical Review
(in millions of Canadian dollars, except per share amounts)

	2000	1999	1998	1997
Earnings(3)(4)				
Net sales	$5,677	$2,484	$2,296	$1,745
Cost of products sold	3,994	1,822	1,547	1,170
Selling, general and administrative expenses	168	66	64	54
Depreciation and amortization	511	224	201	173
Operating profit	1,004	372	484	348
Interest on long-term debt	379	94	87	85
Other expenses (income)	21	(15)	14	(2)
Earnings (loss) before the under-noted items	604	293	383	265
Income tax expense	191	57	129	101
Non-controlling interests	16	10	15	9
Goodwill amortization	30	10	10	–
Net earnings (loss)	367	216	229	155
Earnings (loss) per share(1)	0.96	0.86	0.93	0.63
Dividends declared per share(1)	0.36	0.24	0.22	0.20
Balance Sheet(3)				
Current assets	$1,659	$ 791	$ 860	$ 571
Capital assets	8,022	2,668	2,573	1,898
Goodwill	1,337	154	158	–
Other assets	237	101	177	97
Current liabilities	1,698	431	547	379
Long-term debt	5,265	1,281	1,341	742
Future income taxes	875	424	400	219
Other liabilities	262	44	42	13
Non-controlling interests	60	45	61	48
Shareholders' equity	3,095	1,489	1,377	1,165
Book value per share(1)	7.03	5.99	5.57	4.69

(1) Financial information per share and the number of shares have been calculated to reflect the three for two and the two for one stock split in 1999 and 1994, and the impact of share exchange based on reverse take-over method of purchase accounting in 2000.

(2) "Cash flows" figures for 1997 to 2000 inclusive reflect CICA new recommendations. The entry was formerly "Changes in financial position".

(3) Financial statements figures for 1998 to 2000 inclusive reflect CICA new recommendations regarding future income taxes and employee future benefits.

(4) Financial results prior to April18, 2000 represent Donohue Inc. operations only and results of Abitibi-Consolidated Inc. are included only from that date.

1996	1995	1994	1993	1992	1991	1990
$1,638	$1,124	$ 807	$ 574	$ 520	$ 470	$ 611
1,029	648	524	448	431	394	443
52	33	27	25	28	34	27
148	67	58	60	53	42	49
409	376	198	41	8	–	92
75	16	17	14	34	17	24
(6)	(22)	1	1	(2)	30	(19)
340	382	180	26	(24)	(47)	87
127	124	64	11	(2)	(17)	29
15	17	2	(2)	(7)	28	29
–	–	–	–	–	–	–
198	241	114	17	(15)	(58)	29
0.82	1.11	0.57	0.08	(0.09)	(0.33)	0.16
0.23	0.23	0.09	0.01	–	0.03	0.09

$ 609	$ 441	$ 429	$ 238	$ 226	$ 287	$ 338
1,960	846	674	508	546	575	520
–	–	–	–	–	–	–
75	42	33	25	24	17	44
428	220	172	83	106	111	113
909	216	259	176	191	276	175
193	108	100	84	73	82	77
13	13	–	–	–	–	–
47	41	67	48	61	70	132
1,054	731	538	380	365	340	405
4.25	3.34	2.46	1.91	1.83	1.86	2.22

Abitibi-Consolidated Inc.
Historical Review
(in millions of Canadian dollars)

	2000	1999	1998	1997
Cash Flows(2)(3)(4)				
Operating activities				
Net earnings and items not affecting cash	$1,013	$ 458	$ 456	$ 373
Changes in non-cash operating working capital components	179	(83)	(30)	(6)
	1,192	375	426	367
Financing activities				
Net proceeds of issuance of shares	3	10	8	6
Increase in long-term debt	5,316	144	874	306
Repayment of long-term debt	(4,015)	(140)	(373)	(574)
Increase (decrease) of bank loan	–	(12)	(2)	2
Dividends	(1,746)	(68)	(71)	(59)
Other	(90)	(6)	(6)	(6)
	(532)	(72)	430	(325)
Investment activities				
Additions to capital assets	(528)	(290)	(119)	(86)
Business acquisition, net of cash acquired	(41)	(82)	(675)	(9)
Acquisition of non-controlling interests in subsidiary companies	–	–	–	–
Other	9	–	(1)	6
	(560)	(372)	(795)	(89)
Increase (decrease) in cash and cash equivalent	$ 100	$ (69)	$ 61	$ (47)
Shipments				
Newsprint (in thousands of tonnes)	4,667	2,275	1,848	1,439
Value-added groundwood papers & market pulp (in thousands of tonnes)	1,739	614	571	425
Lumber (in millions of board feet)	1,828	1,476	1,325	1,275
Ratios				
Return on shareholders' equity(3)	16.0	14.7	18.0	14.1
Net long-term debt to total capitalization	0.63	0.46	0.46	0.41

(1) Financial information per share and the number of shares have been calculated to reflect the three for two and the two for one stock split in 1999 and 1994, and the impact of share exchange based on reverse take-over method of purchase accounting in 2000.

(2) "Cash flows" figures for 1997 to 2000 inclusive reflect CICA new recommendations. The entry was formerly "Changes in financial position".

(3) Financial statements figures for 1998 to 2000 inclusive reflect CICA new recommendations regarding future income taxes and employee future benefits.

(4) Financial results prior to April18, 2000 represent Donohue Inc. operations only and results of Abitibi-Consolidated Inc. are included only from that date.

1996	1995	1994	1993	1992	1991	1990
$ 411	$ 334	$ 192	$ 89	$ 30	$ 54	$ 103
(68)	31	36	(5)	46	(37)	10
343	365	228	84	76	17	113
181	1	64	1	40	–	1
957	87	86	78	168	160	–
(284)	(126)	(75)	(115)	(291)	(48)	(49)
4	(3)	19	(22)	19	2	(7)
(71)	(56)	(18)	(2)	(2)	(16)	(50)
(15)	(1)	(13)	(1)	(3)	(1)	–
772	(98)	63	(61)	(69)	97	(105)
(103)	(148)	(59)	(23)	(23)	(33)	(23)
(1,068)	(38)	(105)	–	–	–	–
–	(100)	–	–	(1)	(121)	(2)
–	–	1	–	–	(31)	–
(1,171)	(286)	(163)	(23)	(24)	(185)	(25)
$ (56)	$ (19)	$ 128	$ –	$ (17)	$ (71)	$ (17)
1,189	540	544	478	476	415	498
406	372	324	316	301	261	275
1,136	971	827	654	601	470	572
22.3	38.3	25.1	4.5	(4.4)	(16.1)	7.3
0.48	0.11	0.17	0.26	0.32	0.40	0.15

Quarterly Financial Information
Consolidated Statement of Earnings
(in millions of Canadian dollars, except per share amounts)

	1st quarter	2nd quarter	3rd quarter	4th quarter	Year 2000
Net sales	$ 656	$1,481	$1,736	$1,804	$5,677
Cost of products sold	473	1,083	1,203	1,235	3,994
Selling, general and administrative expenses	16	46	53	53	168
Depreciation and amortization	62	137	156	156	511
Operating profit	105	215	324	360	1,004
Interest on long-term debt	25	104	126	124	379
Other expenses (income)	1	(1)	25	(4)	21
Earnings before the under-noted items	79	112	173	240	604
Income tax expense	25	39	52	75	191
Non-controlling interests	2	3	4	7	16
Earnings before goodwill amortization	52	70	117	158	397
Goodwill amortization	1	9	10	10	30
Net earnings for the period	$ 51	$ 61	$ 107	$ 148	$ 367
Earnings and fully diluted earnings per share					
Before goodwill amortization	$ 0.21	$ 0.17	$ 0.27	$ 0.36	$ 1.03
Net earnings	$ 0.20	$ 0.15	$ 0.24	$ 0.33	$ 0.96
Weighted average number of common shares outstanding (in millions)	250	404	440	440	384
Common shares outstanding at end of period (in millions)	250	440	440	440	440
Shipments					
Newsprint[1]	593	1,257	1,421	1,396	4,667
Value-added groundwood papers and market pulp[1]	140	463	567	569	1,739
Lumber[2]	411	502	495	420	1,828

(1) in thousands of tonnes
(2) in millions of board feet

Quarterly Financial Information
Consolidated Statement of Earnings
(in millions of Canadian dollars, except per share amounts)

	1st quarter	2nd quarter	3rd quarter	4th quarter	Year 1999
Net sales	$ 586	$ 587	$ 633	$ 678	$2,484
Cost of products sold	414	439	464	505	1,822
Selling, general and administrative expenses	17	17	16	16	66
Depreciation and amortization	52	56	57	59	224
Operating profit	103	75	96	98	372
Interest on long-term debt	24	22	23	25	94
Other expenses (income)	(5)	1	–	(11)	(15)
Earnings before the under-noted items	84	52	73	84	293
Income tax expense	28	13	21	(5)	57
Non-controlling interests	3	2	2	3	10
Earnings before goodwill amortization	53	37	50	86	226
Goodwill amortization	3	2	2	3	10
Net earnings for the period	$ 50	$ 35	$ 48	$ 83	$ 216
Earnings and fully diluted earnings per share					
Before goodwill amortization	$ 0.21	$ 0.15	$ 0.20	$ 0.34	$ 0.90
Net earnings	$ 0.20	$ 0.14	$ 0.19	$ 0.33	$ 0.86
Weighted average number of common shares outstanding (in millions)	249	249	250	250	249
Common shares outstanding at end of period (in millions)	249	249	250	250	250
Shipments					
Newsprint(1)	506	541	583	645	2,275
Value-added groundwood papers and market pulp(1)	146	138	170	160	614
Lumber(2)	340	375	368	393	1,476

(1) in thousands of tonnes
(2) in millions of board feet

REPORT OF THE CORPORATE GOVERNANCE COMMITTEE

Both the Board and management of the Company strongly believe in the intrinsic value of having comprehensive and open governance practices. The establishment of governance practices not only promotes management accountability, it also ensures that the Board can function independently from management.

Over the past two years, in keeping with one of the Company's core values of "continuous improvement", the Board has initiated a review of the effectiveness of its corporate governance practices; the purpose being the enhancement of shareholder value.

We have set our objectives high, and while we might not have accomplished all we had set out to do in 2000, we believe that we are going in the right direction. We can look back on our accomplishments in 2000 and proudly report the following:

- The structure of our Board was improved; not only did we make progress towards greater diversity, the average age of directors was lowered and the size of the Board was reduced from 15 members to 12.
- Following the acquisition of Donohue, we integrated three new directors who were nominees of Donohue.
- On April 27, 2000, the Company implemented a new Directors Stock Option Plan intended to increase the directors' equity stake in the Company to better align the interests of our shareholders and those of the Board. Pursuant to such plan, directors are required to meet stock ownership guidelines of three times their annual retainer within five years.
- The structure of the committees of the Board was also improved as a result of the implementation of a new policy providing for a rotation of committee members.
- The Finance Committee was eliminated based on the conclusion that its mandate was duplicative of responsibilities already discharged at the Audit Committee and the Board levels.
- We have developed an improved evaluation process for the Board as a whole and also for directors individually, which we expect to be fully implemented in 2001.

It has been an honour to serve you as Chair of the Corporate Governance Committee.

Ronald Y. Oberlander
Chair
Corporate Governance Committee

CORPORATE GOVERNANCE PRACTICES

Both the Board and management recognize that good corporate governance is central to the prudent operation of the Company. To this end, the Company has adopted several policies aimed at ensuring the effectiveness of the process and structure used to direct and manage the Company in compliance with the corporate governance guidelines of the Toronto Stock Exchange.

The Corporate Governance Committee is responsible for the development of the Company's corporate governance practices.

Responsibilities of the Board

The Board recognizes it is responsible for the stewardship of the business and affairs of the Company. The Board seeks to discharge such responsibility by reviewing, discussing and approving the Company's strategic planning and organizational structure, and supervising management to ensure that the foregoing enhance and preserve the underlying value of the Company for the benefit of all shareholders. As part of the strategic planning process, the Board reviews, to the extent possible from management's reports, the principal opportunities and risks of the Company's business plan. The Board monitors the integrity of corporate internal control procedures and management information systems to manage such risks and ensure that the value of the underlying asset base is not eroded. The performance of management is also supervised to ensure that the affairs of the Company are conducted in an ethical manner. Throughout the year, the Board holds regular meetings where management is invited to present its recommendations on developments and issues of current relevance related to the Company's products or services and to respond to questions. The Board receives systematic updates at such meetings as to the Company's lines of business and their respective strategy and performance. In addition, each year the Board holds a separate session dedicated to discussions of key strategic issues. Additional meetings are held from time to time as deemed necessary.

The Board discharges its responsibilities both directly and through its committees. The Board has retained specific authority to grant final approval with respect to each of the following matters, in addition to those that require Board approval under applicable law:

(a) the strategic direction of the Company, including the three-year plan;
(b) material contracts, acquisitions or dispositions of the Company's assets;
(c) the annual strategic plan, operating and capital budgets; and
(d) President and Chief Executive Officer and senior executive hiring, performance evaluation, compensation and succession plans.

The Board from time to time delegates to senior executives the authority to enter into certain types of transactions, including financial transactions, subject to specified limits. Investments and other expenditures above the specified limits, and material transactions outside the ordinary course of business are reviewed by and subject to the prior approval of the Board.

The Board, any committee thereof and any individual director may engage independent external advisors at the expense of the Company to assist them in discharging their responsibilities where needed.

There have been nine regular meetings of the Board in 2000.

Composition of the Board

The size of the Board is authorized by the articles of the Company to be between three and twenty-one. The Board currently consists of 12 members. The Board believes that such number of directors is large enough to allow the directors to benefit from a wide variety of ideas and viewpoints without compromising the communication among the directors and between the directors and management. The Board periodically examines its size to determine whether it achieves the appropriate balance.

The Board has established a number of committees to facilitate the flow of information concerning the Company to the directors, and to monitor the efficiency of management's decisions and the development of management's expertise.

The Company currently has a Chairman who is not a member of management. See "Role of the Chairman" below.

When recruiting new directors, the Company conducts a comprehensive education and orientation program for such directors, which includes distribution of appropriate information materials and orientation sessions with other board members and senior management.

The Company has no shareholder that has the ability to exercise a majority of the votes for the election of the Board.

Pursuant to the terms of a support agreement entered into between the Company and Donohue at the time of the acquisition of Donohue (as described more fully in the Company's Offers to Purchase related to the acquisition of the shares of Donohue dated February 25, 2000 (the "Offers to Purchase")), for as long as Quebecor has an economic interest in at least 10% of the outstanding shares of the Company, the Company has agreed to include three nominees proposed by Donohue in the slate of proposed nominees for election to the Board at any shareholders meeting (or two or no nominees if, on the date of any management proxy circular prepared in connection with any such meeting Quebecor no longer has an economic interest in at least 5% or 2%, respectively, of the outstanding shares of the Company).

The Board has reviewed its membership and has determined that, 11 of the directors are "unrelated" directors. An "unrelated" director is a director who is independent of management and free from any interest in any business or other relationship which could, or could reasonably be perceived to, materially interfere with the director's ability to act in the best interests of the Company, other than interests in relationships arising from shareholding. John W. Weaver, the President and Chief Executive Officer, is a "related" director because he is an employee of the Company.

Shareholder/Investor Communications and Feedback

The Company has an Investor Relations Department (the "Department") that is responsible for facilitating the two-way communication between senior management and the Company's current and potential shareholders and financial analysts.

The Department's role is to ensure clear and direct communication of the Company's performance, actions and strategy to all shareholders and to others in the investment community. Information is disseminated through annual and quarterly reports, the annual meeting and frequent investor presentations. Information about the Company (including, the Company's most recent annual and interim reports, annual information form, management proxy circular and press releases) is also provided on Abitibi-Consolidated's website at www.abicon.com. On a regular basis, the Department receives and responds to all shareholders' inquiries in an appropriate, timely and conscientious fashion.

The Department provides feedback from the shareholders to senior management and the Board, where appropriate. The Department regularly encourages shareholders to voice their comments, concerns and suggestions.

Board Expectations of Management

The information which management provides to the Board is critical to the effective functioning of the Board. The directors must have confidence in the data gathering, analysis and reporting functions of management. The Corporate Governance Committee monitors the nature of the information requested by and provided to the Board so that it is able to determine if the Board can be more effective in identifying opportunities and risks for the Company.

The Board does not believe that it is appropriate for it to be involved in the daily management and functioning of the Company. It expects that management will be responsible for the effective, efficient and prudent management of the Company subject to the stewardship responsibilities of the Board. The Board expects management of the Company to meet the following key objectives:

(a) to report to the Board in a complete, accurate and timely fashion, on the business and affairs of the Company generally, and on any matters that management considers to be of material or significant consequence for the Company and its shareholders;
(b) to take timely action with respect to, and make all appropriate decisions required by the Company's operations in accordance with all applicable legal or other obligations and within the framework of the corporate policies in effect, with a view towards enhancing shareholder value;
(c) to conduct a comprehensive annual budgeting process under the guidance of the Board and to monitor closely the Company's financial and operating performance in conjunction with the annual corporate objectives approved by the Board;
(d) to review on an ongoing basis, and subject to ultimate Board supervision, the Company's short-term and long-term strategies and their implementation in all key areas of the Company's activities in light of, among other factors, evolving market conditions, technology, and governmental regulations; and
(e) to implement appropriate policies and procedures to assure a high level of conduct and integrity of the Company's management and employees.

Role of the Chairman

The Chairman of the Board is charged with the responsibility of ensuring the efficient operation of the Board and its committees. As an ex-officio member of each committee of the Board, one of the Chairman's principal duties is to properly evaluate the effectiveness of the committee structure and the quality of management's work that is presented in support of the decision making process of the Board. Mr. Richard Drouin, O.C., Q.C. is the current Chairman of the Board of the Company. Mr. Pierre Karl Péladeau serves as Vice-Chairman of the Board.

MANAGEMENT

John W. Weaver,
President and Chief Executive Officer

Louis-Marie Bouchard,
Senior Vice-President, Woodlands and Sawmills

Pierre G. Côté,
Senior Vice-President, International Newsprint Operations and Energy

Alain Grandmont,
Senior Vice-President, Value-Added Paper Operations

Denis Jean,
Senior Vice-President, Northern Newsprint Operations

Colin Keeler,
Senior Vice-President, North American Sales

Daniel Perkins,
Senior Vice-President and Chief Financial Officer

Paul Planet,
Senior Vice-President, International Sales

David Schirmer,
Senior Vice-President, Value-Added Paper Sales

Thor Thorsteinson,
Senior Vice-President, Southern Newsprint Operations

Bruno Tremblay,
Senior Vice-President, Technology Services

Jacques P. Vachon,
Senior Vice-President, Corporate Affairs and Secretary

Viateur Camiré,
Vice-President, Human Resources

Allen Dea,
Vice-President and Treasurer

Yvan Gingras,
Vice-President and Controller

2000 | BOARD OF DIRECTORS

As at the time of printing, the following members made up the Board of Directors:

Arnold F. Brookstone(3)
Corporate Director,
Chicago, Illinois

Mr. Brookstone is Chairman of the Board of Trustees of the ABN AMRO family of mutual and money-market funds. He is also a Director of Donnelly Corporation (DON, NYSE), MFRI Inc. (MFRI, NASDAQ) and a number of privately-owned companies. Mr. Brookstone retired in 1996 as Executive Vice-President, Chief Financial & Planning Officer of Stone Container Corporation (subsequently merged into Smurfit-Stone Container Corporation). A lawyer and a certified public accountant, Mr. Brookstone has a Juris Doctor degree from De Paul University and a Bachelor of Science degree from the University of Illinois.

H. Earl Joudrie
Chairman, Algoma Steel Inc. and Gulf Canada Resources and President of A.G. Resources Corporation,
Toronto, Ontario

Over his career, Mr. Joudrie has held a variety of executive positions in a number of resource based corporations, including that of Chief Executive of Dome Canada Limited, Encor, Voyager Petroleums Ltd., Ashland Oil Canada Ltd. and as Senior Vice-President and Group Operating Officer of Ashland Oil Inc. and Algoma. Mr. Joudrie holds several other directorships, among them: ATCO, Canadian Tire, Zargon Oil and Gas, Carma Consolidated and Trention Steel Works.

Richard Drouin, O.C.,Q.C.[1]

Chairman of the Board,
Abitibi-Consolidated Inc.,
and Partner, McCarthy Tétrault
Sillery, Québec

A lawyer specializing in commercial, corporate and energy laws, Mr. Drouin obtained his law degree from Laval University. Chairman and C.E.O. of Hydro-Québec from 1988 to 1995. An Officer of the Order of Canada and holder of an honorary doctorate degree from the University Lumière in Lyon, France. A former teacher of industrial relations at various universities and the International Centre for Research and Studies in Management. Mr. Drouin is Chair of the Board of Trustees of l'Université Laval and Honourary Consul for Great Britain in Québec. He is also a director of a number of corporations, including: Morgan Stanley Canada (Vice-Chair), American Superconductor Corporation, TVA Group, Canadian Niagara Power, Provigo and Stelco.

Gordon C. Gray, F.C.A.

Chairman, Rio Algom Ltd.,
Richmond Hill, Ontario

A chartered accountant who began his career with Price Waterhouse after obtaining a B.Comm. from Queen's University. Former Chairman and President of Royal LePage, where he served in a variety of executive posts for over 35 years. In October, 2000 Mr. Gray was appointed Chairman of North American Metal Distribution Inc. He is also a Governor of the Olympic Trust of Canada, Honorary Chairman of Royal LePage Limited and sits on the Board of a number of corporations, including McDonald's Corporation and Rio Algom Limited.

Claude Hélie[2]

Executive Vice-President and Chief Financial Officer, Quebecor inc.,
Montréal, Québec

Mr. Hélie was Vice-President and CFO of Donohue Inc. from 1994 to 2000. Before that (1982-1994) Mr. Hélie was Vice-President, Finance for La Société Générale de Financement du Québec (SGF), a Crown Corporation with diversified industrial holdings. Mr. Hélie graduated from École des hautes études commerciales (Université de Montréal) and is a member of the Québec Order of Chartered Accountants.

C. Edward Medland

President, Beauwood Investments Inc.,
Toronto, Ontario

Former Chairman and CEO of Wood Gundy Inc. and Chairman of the Boards of Cadillac Fairview Corp. and the Investment Dealers' Association of Canada. Mr. Medland is a graduate of the University of Toronto and holds a variety of other directorships, including: Global Telecom Corp., MCM Split Share Corporation and Premium Income Corp. Mr. Medland holds an honourary directorship at The Seagram Company and is former Chairman of the Ontario Teachers' Pension Plan Board.

Ronald Y. Oberlander[3]

Corporate Director,
Montréal, Québec

Holds a degree in Commerce from Sir George Williams University. Mr. Oberlander has held a number of senior positions in the Canadian paper industry. Former President of Inter-City Papers Limited and Lauzier Little Inc., he moved to Abitibi-Price in 1981 and was appointed President and CEO in 1991 and Chairman and CEO in 1996. Mr. Oberlander was Operating Chairman of Abitibi-Consolidated from 1997-1999 and Chairman of the Board until April, 2000. Currently, he serves on the Board of Directors of Canadian Tire Corporation.

Pierre Karl Péladeau[1]

Vice-Chairman, Abitibi-Consolidated Inc.,
President and CEO of Quebecor inc.,
President and CEO of Quebecor Media inc.,
Chairman of the Board, Nurun inc. and
Vice Chairman of Quebecor World Inc.
and Sun Media Corporation,
Montréal, Québec

Pierre Karl Péladeau was educated in Montreal and Paris. He pursued graduate studies in philosophy and law, earned a law degree from Université de Montréal, and is a member of the Quebec Bar. Mr. Péladeau sits on the Boards of numerous Quebecor companies and is active in many charitable and cultural organizations.

Charles-Albert Poissant, CM, FCA
Corporate Director,
Montréal, Québec

A member of the Order of Canada, Mr. Poissant is a chartered accountant, author and former Chairman and CEO of Donohue Inc. Prior to that, he was a member of the firm KPMG from 1947-1987. He was educated at École des hautes études commerciales (Université de Montréal).

John A. Tory, Q.C.
President, Thomson Investments Limited,
Toronto, Ontario

Called to the Bar in 1954 and appointed Queen's Counsel in 1965, Mr. Tory serves as director of a number of Canadian corporations and non-profit institutions, which include: The Thomson Corporation, Rogers Communications Inc. and the Canadian Phychiatric Research Foundation.

David A. Ward, Q.C.
Partner, Davies Ward Phillips & Vineberg,
Toronto, Ontario

An international taxation lawyer and founding partner of Davies, Ward Phillips & Vineberg. Mr. Ward received a Bachelor of Commerce degree from Queen's University and an LL.B. from Osgoode Hall Law School and has practiced in commercial, tax and related fields of law since 1958.

John W. Weaver
President & CEO, Abitibi-Consolidated Inc.,
Montréal, Québec

With a PhD from the Institute of Paper Science and Technology (IPST) and nearly 30 years experience in this industry, Mr. Weaver applies his intricate knowledge to various industry Boards, including the IPST, FPAC (Forest Products Association of Canada) and Pan Asia Paper Company.

(1) Mr. Drouin and Mr. Péladeau assumed the positions of Chairman. and Vice-Chairman, respectively, on January 15, 2001.
(2) Mr. Hélie became a Director on January 15, 2001.
(3) Mr. Brookstone and Mr. Oberlander will retire from the Board in 2001.

For the complete slate of 2001 nominees, please refer to the Company's Management Proxy Circular.

Accretive – creating earnings per share or cash flow per share growth over and above existing operations.
Alternative Offset™ – high-brightness uncoated groundwood paper used for direct mail printing, catalogue inserts, technical manuals, financial printing and book printing.
Capacity – budgeted tonnes produced per day multiplied by available days, which include calendar days in the year less statutory holidays and downtime longer than twenty-four hours per machine.
Coated paper – grades of paper to which a coating is applied, either on the paper machine or a subsequent process.
Communication papers – a term used to describe those paper grades used by printers and publishers in their production of books, magazines, newspapers, etc.
De-inking – a process of repulping waste paper to remove inks and other non-fibre contaminants, producing clean fibre suitable for paper manufacturing (DIP).
Directory papers – lightweight uncoated groundwood papers used for telephone and other directories and catalogues.
Effluent – the liquid waste of industrial processing.
Effluent treatment – *Primary treatment:* a process which removes suspended solids from effluent. *Secondary treatment:* a process which reduces the biochemical oxygen demand (BOD) and toxicity of effluent.
Equal Offset™ – a very bright, surface-enhanced groundwood offset that delivers "equal" opacity, brightness and caliper with exceptional savings when compared to standard offsets.
FBM – foot board measure, being one square foot of lumber one inch thick.
Fibre – the structural components of woody plants that are separated from each other during the pulping operation in a pulp mill and reassembled into the form of a sheet during the papermaking process.
Virgin fibre: wood fibre derived from trees not previously processed into paper;
Recycled fibre: fibre derived from old magazines (OMG) and old newsprint (ONP) collected to make and strengthen recycled paper products.
Hectare – 259 hectares = 1 square mile, 1 hectare = 2.471 acres or .01 square kilometers.
High-brightness papers – uncoated groundwood paper with a brightness level higher than standard newsprint.

International – refers to any geographical area outside of North America when used in reference to our markets.
ISO – administered by the Geneva-based International Organization for Standardization, the ISO document series defines high international standards of quality management systems in manufacturing and distribution.
LWC (or light-weighted coated) – clay-coated groundwood paper having a smooth finish and high opacity, used primarily for catalogues, magazines and inserts. A higher-value grade that competes in the same end-use market as SC papers.
MBf – millions of board feet.
MF (or machine finished) offset – uncoated groundwood paper that has had its surface properties improved while still on the paper machine, used primarily for "offset" printing.
Mill net price – transaction price less delivery cost.
Newsprint – a printing paper whose major use is in newspapers. It is made largely from groundwood or mechanical pulp reinforced to varying degrees by chemical pulp.
Operating rate – the ratio of actual days of machine operation to the days available.
Operating efficiency – the ratio of actual saleable tonnes manufactured to the maximum possible tonnes.
Pulp – a fibrous material produced by mechanically or chemically reducing woody plants into their component parts for the production of paper products. Pulp can result from a variety of processes including cooking, refining, grinding or the processing and cleaning of waste paper. Pulp can be either in a wet or dry state. Types of pulp include:
Chemical pulp: pulp obtained by cooking wood in solutions of various chemicals. The principal chemical processes are sulphite and sulphate;
CTMP: chemi-thermomechanical pulp, being pulp produced from wood chips using heated mechanical and chemical processes to break the bonds between the wood fibres;
Groundwood: pulp produced mechanically by grinding logs on a stone;
Kraft pulp: pulp produced by a process where the active cooking agent is a mixture of sodium hydroxide and sodium sulphide;
Recycled pulp: pulp produced from de-inking old newspapers and old magazines;

Sulphite pulp: an acid pulp produced from chips reduced to their component parts by cooking them in a pressurized vessel using an acidic liquor. Sulphite pulp can be produced using various techniques to increase yield of pulp per tonne of raw fibre, to produce high-yield sulfite pulp (HYS) and high-yield sulphite pulp;

TMP: thermomechanical pulp produced through a chemical-free process involving the mechanical refining of wood chips under high temperature and pressure.

Pulpwood – logs used for making pulp, as opposed to those used for lumber (saw logs).

Rotogravure paper – high smoothness uncoated groundwood paper, typically used for printing of catalogues and magazines.

SC (or supercalendered) paper – clay-filled groundwood paper (Mando Gloss, Abigloss) having a smooth finish and high opacity, used primarily for catalogues, magazines and inserts. SCA is a higher-value grade than SCB, which is higher than SCC.

Soft-nip – a finishing process where the contact area between two rolls on a papermaking machine is used to make the paper smooth and glossy.

Stumpage fee – the charge levied by certain provincial governments in Canada for trees cut on government land.

Sustainable forestry – managing and using the forest to meet the various needs of today's society, while maintaining the productive capacity of natural forest ecosystems and the biodiversity of the forest.

Synergy – comparing actual costs to those of the reference period (generally the first quarter of 2000 – the last full quarter immediately preceding the acquisition of Donohue).

Tonne (metric) – 1.1023 short tons (1 short ton equals 2,000 pounds).

Uncoated freesheet – grades of paper made up of essentially all chemical pulp with no mechanical pulp and without any applied sheet-coating material. It is used for printing and writing purposes.

Uncoated groundwood – a higher value grade of paper which has properties similar to newsprint and is used in printing papers for directories, catalogues, advertising circulars, periodicals, etc.

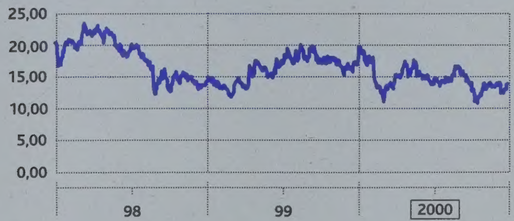
The common shares of Abitibi-Consolidated are listed on the Toronto Stock Exchange under the stock symbol "A." The common shares are also listed on the New York Stock Exchange under the symbol "ABY." The following information sets forth the high and low reported prices and trading volume of the common shares on both exchanges for the periods indicated.

	TSE(1)			ME(2)			NYSE(3)		
	High(4) ($CDN)	Low(4) ($CDN)	Volume # of shares	High(4) ($CDN)	Low(4) ($CDN)	Volume # of shares	High(4) ($US)	Low(4) ($US)	Volume # of shares
Fiscal 2000									
First Quarter	19.95	11.05	89,382,299				13.69	7.75	16,835,100
Second Quarter	17.75	13.60	116,433,189				11.88	9.25	10,502,400
Third Quarter	17.00	13.50	71,406,726				11.44	9.19	7,406,400
Fourth Quarter	14.15	10.60	145,308,085				9.38	7.00	12,831,200
Fiscal 1999									
First Quarter	15.05	11.65	45,622,659	15.10	11.65	6,556,503	9.94	7.63	3,684,500
Second Quarter	18.20	12.90	66,674,483	18.15	12.90	8,151,558	12.38	8.69	20,724,400
Third Quarter	20.55	16.60	43,195,667	20.50	16.70	8,074,966	13.81	11.13	14,446,900
Fourth Quarter	18.40	15.25	35,577,275	18.40	15.25	2,281,245	12.50	10.31	8,761,500
Fiscal 1998									
First Quarter	21.90	18.18	40,302,300	21.80	18.30	12,328,805	15.25	12.85	14,731,600
Second Quarter	22.17	19.23	26,570,300	22.12	19.25	7,243,406	15.38	13.27	6,447,700
Third Quarter	18.38	14.00	26,196,600	18.33	14.02	4,899,063	12.19	9.17	7,708,700
Fourth Quarter	15.47	13.13	30,892,800	15.47	13.17	5,471,374	10.04	8.52	6,667,500

(1) As reported by the Toronto Stock Exchange.
(2) As reported by the Montreal Stock Exchange.
Pursuant to the restructuring of the Canadian Stock Exchanges, the Company's shares ceased trading on the ME, effective December 1, 1999.
(3) As reported by the New York Stock Exchange.
(4) Based on one or more 100 share lots.

Stock Price Closing

(dollar per share)



Forward-looking Statements

The Securities Litigation Reform Act of 1995 provides a "safe harbour" for forward-looking statements so long as those statements are identified as forward-looking and are accompanied by meaningful cautionary statements identifying important factors which could cause actual results to differ materially from those projected in the statements. This annual report contains forward-looking statements about future operations and expectations of the company and contains statements of the company's belief, intentions and expectations about developments, results and events which will or may occur in the future, and are based on certain assumptions and analyses made by the company derived from its experience and perceptions. However, actual results and developments may vary materially from those described as they are subject to a number of risks and uncertainties, including general economic, market and business conditions, opportunities available to or pursued by the Company, changes in law and other factors, many of which are beyond the control of the Company. The Company disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

The annual meeting of Abitibi-Consolidated Inc. shareholders will be held at the Maxwell Cummings Auditorium, Montréal Museum of Fine Arts, 1379 Sherbrooke Street West, on Thursday, April 26th, 2001 at 11:00 am.

TRANSFER AGENTS AND REGISTRARS

Computershare Trust Company of Canada
Halifax, Montréal, Toronto, Winnipeg, Calgary, and Vancouver, Canada.

Computershare Trust Company Inc.
(Computershare USA)
New York

AUDITORS

PricewaterhouseCoopers LLP

INVESTOR RELATIONS CONTACTS

John Chimienti
Manager, Investor Relations
(514) 394-2151

Diane Langdon
Analyst
(514) 394-2317

General Information:
Abitibi-Consolidated Inc.
Investor Relations
1155 Metcalfe Street, Suite 800
Montréal, Québec
CANADA H3B 5H2
e-mail: ir@abicon.com

ANNUAL INFORMATION FORM (Form 40-F)

The Company's Annual Information Form (AIF) is filed with securities regulators in Canada and the United States. Under the Multi-Jurisdictional Disclosure System (MJDS) introduced in 1991, the Company's AIF is filed in its Form 40-F with the U.S. regulatory authority, the Securities and Exchange Commission (SEC), in satisfaction of its annual filing requirement.

INTERIM REPORTS (Form 6-K)

In 2001, the company will electronically file each of its interim quarterly reports with regulatory authorities in Canada and with the SEC in the United States in Form 6-K. Quarterly reports, conference calls, quarterly financial statements will be archived at www.abicon.com.

PAPER CREDIT

The Alternative Book Cream™ paper used to print this report is manufactured at Abitibi-Consolidated's Fort Frances, Ontario mill.

This report is printed in Canada on paper that is 100% recyclable.

On peut obtenir le présent rapport annuel en français sur notre site Web ou bien sur demande.

www.abicon.com

Copies of our annual report, annual information form, management proxy circular, interim reports, news releases and audio broadcasts of analyst conference calls are available at our website.

Design: Graphème Communication-Design Photography (cover: Nicolas Morin, inside pages: Yves Beaulieu) Printing: Transcontinental - Litho Acme